<u>EXHIBIT 3</u>

Report of Gaurav Malhotra

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re	:	Chapter 9
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
Debtor.	:	Hon. Steven W. Rhodes

REPORT OF GAURAV MALHOTRA

Pursuant to Federal Rule of Civil Procedure 26(a)(2)(B), made applicable to this proceeding by Federal Rule of Bankruptcy Procedure 7026, debtor the City of Detroit submits this report with respect to the expected expert testimony of Gaurav Malhotra.

INTRODUCTION

Gaurav Malhotra is a Principal and the Midwest Restructuring Leader at the firm Ernst & Young LLP ("EY"), as well as a Senior Managing Director at Ernst & Young Capital Advisors LLC. It is the City's intention to call Mr. Malhotra to testify about the forecasted revenues and expenses the City's General Fund may expect in future years. The information in this report is presented as of the date of this report and is based upon projections contained within the Fourth Amended Disclosure Statement With Respect to Fourth Amended Plan for the Adjustment of

Debts of the City of Detroit [Docket no. 4391] dated May 5, 2014 (the "Disclosure Statement"), as such projections were updated as of July 2, 2014. *See* Ten-Year Financial Projections [POA00706519 – POA00706600] ("10-Year Forecast"); Plan of Adjustment – 40 year projections [POA00706603 – POA00706611] ("40-Year Forecast").

OPINIONS

Mr. Malhotra will offer the following opinions:

I. Ten-Year Projections

A. For the period ending with the City's 2023 fiscal year, the projected revenues and expenditures the City's General Fund can expect are set forth in the 10-Year Forecast and in the 40-Year Forecast at Exhibit 3b.

B. These projected revenues and expenditures are reasonable forecasts and represent a realistic picture of the City's General Fund's ability to afford its expenditures and satisfy its obligations under the Plan while maintaining an adequate level of municipal services.

II. Forty-Year Projections

A. For each of the next four ten-year periods ending with the City's 2053 fiscal year, the projected revenues and expenditures the City's General Fund can expect are set forth in the 40-Year Forecast.

B. These projected revenues and expenditures are reasonable forecasts and represent a realistic picture of the City's General Fund's ability to afford its expenditures and satisfy its obligations under the Plan while maintaining an adequate level of municipal services.

BASIS AND REASONS FOR OPINIONS

Mr. Malhotra based his opinions upon analyses of historical trends, reviews of departmental budgets, and discussions with City management regarding steady-state projections. In addition, Mr. Malhotra relied upon the assumptions made, analyses conducted, and opinions offered by other experts, including Robert Cline and Caroline Sallee of EY's Quantitative Economic & Statistics ("QUEST") practice, Charles Moore of Conway MacKenzie, Kenneth Buckfire of Miller Buckfire, and the City's actuaries at Milliman. In reaching his opinions, Mr. Malhotra followed standard forecasting procedures used in the field of financial forecasting and analysis.

I. Ten-Year Projections

The revenues and expenditures the City's General Fund may expect in each of the next ten years are set out in the 10-Year Forecast and the 40-Year Forecast,

in particular at Exhibit 3b of the 40-Year Forecast.[1] In developing these forecasts, Mr. Malhotra employed the following methodologies and assumptions:

A. Methodology

(1) Developing forecasts of the City's General Fund revenues, expenditures, and funds available for unsecured creditors in each of the next ten fiscal years, by:

(a) Projecting the annual revenues the City's General Fund can expect in each of the next ten fiscal years from 2014 to 2023.

(i) Mr. Malhotra directed Robert Cline and Caroline Sallee of EY's QUEST practice to develop projections of the City's revenues in five key areas—income taxes, property taxes, wagering taxes, state revenue sharing, and utility users' taxes. Mr. Malhotra relied upon these projections in making his ten-year revenue projections.

(ii) Mr. Malhotra forecasted the City's other General Fund operating revenues based largely on historic trends, making adjustments where necessary, as explained in the Assumptions section below.

(iii) Mr. Malhotra incorporated the additional revenues expected to be generated for the General Fund from the City's departmental

[1] The forecasted revenues and expenditures set forth in Exhibit 3 of the 10-Year Forecast and Exhibit 3b of the 40-Year Forecast are equivalent. These two Exhibits differ only in the manner of their presentation.

revenue initiatives. To do so, Mr. Malhotra relied on the forecasts of these additional revenues provided to him by Conway MacKenzie.

(iv) Finally, Mr. Malhotra incorporated the net proceeds of Quality of Life financing in FY2014 and FY2015, as well as the assumed proceeds from exit financing between FY2015 and FY2016.

(b) Projecting the City's expected operating expenditures and restructuring-related expenses over this ten-year period.

(i) Mr. Malhotra's team conducted a department-by-department review of historical and current staffing levels, payroll, and benefits, in order to determine the salary, overtime, and fringe benefit costs for both Public Safety and Non-Public Safety departments.

(ii) Mr. Malhotra relied upon the terms of the Plan to forecast active pension plan and OPEB payments for future retirees.

(iii) Mr. Malhotra forecasted the expenditures associated with the City's restructuring by relying on various sources, as explained in the Assumptions section below.

(iv) Finally, Mr. Malhotra included a contingency reserve to account for unanticipated events and made adjustments to the timing of certain reinvestment spending to ensure adequate cash liquidity.

(c) Determining the amount of "funds available for unsecured claims" after providing adequate municipal services, by taking the difference between the City's General Fund's expected revenues and expenditures in each of the next ten fiscal years.

(2) Adding other sources of cash to the funds available for unsecured claims to arrive at a "total hypothetical sources" of funds, by:

(a) Projecting and adding additional sources of cash, including (i) the revenue stream from the Detroit Water/Sewerage Department ("DWSD"); (ii) reimbursements from other funds (Library and non-General Fund Parking operations); and (iii) the proceeds of the "grand bargain." This "grand bargain" is comprised of foundation fundraising, DIA contributions, and State settlement proceeds.

(3) Developing projections for the hypothetical distributions to unsecured creditors ("uses") of these hypothetical sources throughout the ten-year period based on the terms of settlements or the Plan, by:

(a) Scheduling the projections of cash distributions to the retiree pension systems as well as other post-employment benefits (OPEB) based on the terms of settlements reached with the Retirement Systems and Retiree Committee.

(b) Scheduling the projections of cash distributions to satisfy unsecured UTGO (Note A1) and LTGO (Note A2) claims based on the terms of settlements reached with the respective parties.

(c) Scheduling the projections of cash distributions on account of Note B, which encompasses payments to satisfy other unsecured creditor claims, including OPEB, POC, Notes/loans payable, and other unsecured items.

(d) Summing the aforementioned schedules of cash distributions to arrive at "total hypothetical distributions / total uses."

(4) Calculating the implied surplus / (deficit) and cash balances for the ten-year period, by:

(a) Subtracting total hypothetical distributions / total uses from total hypothetical sources to arrive at surplus / (deficit) projections for the ten-year period.

(b) Rolling forward a June 30, 2013 cash balance of $36 million.

B. Assumptions

(1) Mr. Malhotra made the following assumptions in forecasting the revenues the City can expect over the forecast period:

(a) Mr. Malhotra relied on the projections made by Robert Cline and Caroline Sallee of EY's QUEST practice to forecast the City's revenues

from income taxes, property taxes, wagering taxes, state revenue sharing, and utility users' taxes.

(b) Mr. Malhotra forecasted sales and charges for services based on historical trends, adjusted primarily for the transition of the Public Lighting Department's distribution business. Remaining revenues were projected based on FY2013 levels, as adjusted to achieve targeted levels provided through discussions with department management.

(c) Mr. Malhotra forecasted other operating revenues listed on Exhibit 4 of the 10-Year Forecast—including (i) parking/court fines and other revenue, (ii) grant revenue, (iii) licenses, permits and inspection charges, and (iv) revenues from the use of assets based upon recent trends, as adjusted to account for recent or expected events. Mr. Malhotra assumed that (i) parking/court fines and other revenue primarily consist of revenues from parking violations, traffic violations, and court fines, which will continue to reflect recent trends; (ii) grant revenue will decrease due to the transition of the Health and Wellness department and the expiration of certain public safety grants; (iii) revenues from licenses, permits and inspection charges will continue to reflect recent trends; and (iv) revenues from the use of assets include investment earnings, real estate rentals, and the sale of assets, which will include proceeds from the sale of the Veteran's Memorial Building in FY2015.

(d) As reflected in Exhibit 4 of the 10-Year Forecast, General Fund reimbursements include (i) Street Fund reimbursements, (ii) DDOT risk management reimbursements, and (iii) Parking and Vehicle Fund reimbursements. The projections assume that (i) Street Fund reimbursements will decrease beginning in FY2015 due to an assumed outsourcing of solid waste operations, which will no longer reimburse GSD for maintenance costs; (ii) DDOT risk management reimbursements will continue to reflect the portion of risk management costs allocated to DDOT based on recent trends; and (iii) parking reimbursements will continue to reflect recent trends.

(e) The projections assume that the City will be able to continue to collect the UTGO property tax millage at an amount equal to the originally scheduled debt service.

(f) Mr. Malhotra relied upon the revenues expected to be generated from the City's departmental revenue initiatives as provided by Conway MacKenzie.

(g) The projections assume that the City will receive net Quality of Life (QOL) financing proceeds of $118 million between FY2014 and FY2015, and $175 million of net additional proceeds from exit financing between FY2015 and FY2016.

(2) Mr. Malhotra made the following assumptions in forecasting the expenditures the City can expect over the forecast period:

(a) The projections for salaries and wages assume (i) a 10.0% wage reduction for uniformed employees beginning in FY2014 for contracts that expired in FY2013; (ii) a ramp-up of headcount to begin in FY2015 in order to return to previous staffing levels after a decline in the actual headcount for FY2014; and (iii) wage inflation rates for all employees of 5.0% in FY2015, 0.0% in FY2016, 2.5% annually from FY2017 to FY2019, and 2.0% in FY2020 and thereafter.

(b) Expenditures for overtime are projected to continue to reflect recent trends as a percentage of salaries and wages. Elimination of 12-hour shifts for police officers are projected to result in an increase in overtime costs for the Police Department.

(c) Other benefits are projected to continue to reflect recent trends, with assumed bonus payments of 2.5% of salary for non-uniform employees and 3.0% of salary for uniform employees in FY2016.

(d) Health benefit expenditures for active employees are projected based on per-head medical cost estimates provided by Milliman through FY2019 (based on the cost of plan designs being offered for 2014 enrollment). Milliman projects the average annual inflation rate between FY2014 and FY2019

to be 6.8%. Medical inflation is capped (for city contribution purposes) at 4.0% after FY2019.

(e) OPEB contributions will be $1 million annually for future public safety retirees and 2.0% of salary for non-public safety future retirees, as required by the Plan.

(f) As required by the Plan, for FY2015 and beyond, the City will make contributions of 12.25% of salary for active public safety employees and 5.75% for active non-public safety employees.

(g) Other operating expenses consist of (i) professional and contract services, (ii) materials and supplies, (iii) utilities, (iv) purchased services, (v) risk management and insurance, (vi) maintenance capital, (vii) other expenses, (viii) contributions to non-enterprise funds, and (ix) the DDOT subsidy, as reflected in Exhibit 4 of the 10-Year Forecast. Mr. Malhotra made the following assumptions with respect to these other operating expenses:

(i) *Professional and contractual services*: Expenditures for professional and contractual services are projected to decrease beginning in FY2014 due to the transition of the Health and Wellness department. The projections assume a 1.0% annual cost inflation beginning in FY2015.

(ii) *Materials and Supplies*: Expenditures for materials and services will decrease beginning in FY 2015 due to the transition of

the Public Lighting Department distribution business. The projections assume a 1.0% annual cost inflation beginning in FY2015.

(iii) *Utilities*: Expenditures for utilities are projected to continue to reflect recent trends. The projections assume the cost of electricity purchased by PLD for internal consumption will increase to account for an increase of billing to retail rates from wholesale rates beginning FY2015. The projections assume a 1.0% annual cost inflation beginning in FY2015, except for water/sewer rates, as to which the projections assume an average annual cost inflation of 3.5%.

(iv) *Purchased Services*: Expenditures for purchased services will increase beginning in FY2014 due to increased prisoner pre-arraignment function costs, and in FY2016 due to additional payroll processing management. The projections assume a 1.0% annual cost inflation beginning in FY2015.

(v) *Risk Management and Insurance*: Risk management includes costs associated with litigation, workers' compensation, and claims. The projections assume a 1.0% annual cost inflation beginning in FY2015.

(vi) *Maintenance Capital*: One-time capital outlays are included in FY2013. The projections assume a 1.0% annual cost inflation beginning in FY2015.

(vii) *Other Expenses*: The projections assume a 1.0% annual cost inflation beginning in FY2015 for other expenses, such as printing, rental, and other operating costs.

(viii) *Contributions to Non-Enterprise Funds*: The projections assume that contributions to the Public Lighting Authority for operations begin in FY2015.

(ix) *DDOT Subsidy*: The DDOT subsidy is projected to increase, due primarily to personnel and operating cost inflation. The subsidy increases projected in FY2015 and FY2016 are largely driven by the revised methodology utilized by the State in calculating State operating assistance revenue (Act 51).

(h) Mr. Malhotra relied upon the amount of additional operating expenditures necessary to provide adequate municipal services as provided by Conway MacKenzie.

(i) Mr. Malhotra assumed that payments to secured claims will be unaltered by a restructuring, with the exception of the POC swaps, as provided in the Plan.

(j) Mr. Malhotra and his team estimated the level of required contributions to the Pension Income Stabilization Funds contemplated by the Plan. Mr. Malhotra and his team relied upon (i) information on pension payments

received by retirees that was classified by age group and payment amount, and (ii) census data for Detroit residents that could be used to estimate sources of income other than pension payments. Mr. Malhotra's team used this information to estimate total household income for pension recipients. Mr. Malhotra's team compared this amount to the Federal Poverty Level in order to estimate the potential required payments from the Income Stabilization Funds.

(k) Mr. Malhotra relied upon the terms of the settlement agreement (assuming a liquidity event, such as the exit financing) reached with the POC swap counterparties in order to determine the payments required in connection with the settlement of the POC swaps as provided in the Plan.

(l) The exit financing is assumed to be an 11-year note funded on October 31, 2014, with interest-only payments in the first 4 years and equal principal payments made in years 5 through 11. This assumes an interest rate of 6.0%, which was provided to Mr. Malhotra by Miller Buckfire.

(m) Mr. Malhotra relied upon the amount of capital investments projected to be undertaken by the City in the ten-year period as provided by Conway MacKenzie.

(n) Mr. Malhotra's team relied upon original estimates provided by each professional firm to calculate the projected payments by the City to its restructuring advisors in FY2014 and FY2015. Mr. Malhotra assumed that any

incremental professional fees to be funded by the State escrow account would be subject to State approval.

(o) Mr. Malhotra relied upon the forecasted expenditures to remove blight (excluding heavy commercial) as provided by Conway MacKenzie for the ten-year period.

(p) The projections reflect preliminary estimates for the decommissioning of 31 Public Lighting Department substations. This does not include costs associated with decommissioning the City's Mistersky power plant.

(q) Mr. Malhotra included a contingency reserve amount to reflect unanticipated events that cannot be assigned to specific programs. The contingency reserve is calculated as 1.0% of revenue per year throughout the forecast period.

(r) Mr. Malhotra assumed that to maintain the amount of funds necessary to ensure adequate cash liquidity, minimum cash reserves amounting to two months of payroll expenses would be required. To accomplish this, and to ensure that the City did not run a deficit in any fiscal year, Mr. Malhotra made certain timing adjustments, including the assumed deferral of some reinvestment spending.

II. Forty-Year Projections

The revenues and expenditures the City's General Fund may expect in each of the next four decades are set out in the 40-Year Forecast, in particular at Exhibit 3a. In developing these forecasts, Mr. Malhotra employed the following methodologies and assumptions:

A. Methodology

(1) Determining the amount of the City's operating revenues available for unsecured claims over the next 40 years, by:

(a) Extending the recurring revenue items within the ten year projections' for thirty additional years (through 2053).

(b) Subtracting the City's projected expenditures over the entire forty-year period, after utilizing debt service schedules or applying inflationary growth rates to the City's operational and restructuring expenses. These calculations produced an amount of "funds available for unsecured claims" for the forty-year period.

(2) Adding other sources of cash to the funds available for unsecured claims from operating revenues to arrive at a "total hypothetical sources" of funds.

(3) Developing projections for the hypothetical distributions to unsecured creditors of these hypothetical sources throughout the forty-year period based on the terms of settlements or the Plan.

(4) Calculating the surplus / (deficit) and cash balances for each decade, by:

(a) Summing the schedules of the aforementioned cash distributions to arrive at "total hypothetical distributions / total uses."

(b) Subtracting total hypothetical distributions / total uses from total hypothetical sources to arrive at surplus / (deficit) projections for each decade during the forty-year period.

(c) Rolling forward each decade's ending cash balance.

(5) Determining illustrative recoveries for unsecured creditors, as reflected in Exhibit 2 of the 40-Year Forecast, to represent the present value of distributions to each unsecured creditor based on the projected uses, by:

(a) Applying a discount rate of 5.0% to calculate illustrative recoveries consistently for each creditor.

(b) Dividing each recovery amount by its respective claim amount to arrive at an illustrative recovery percentage.

B. Assumptions

(1) Mr. Malhotra made the following assumptions in forecasting the revenues the City can expect over the forecast period:

(a) *Key tax revenue drivers*: Mr. Malhotra directed Robert Cline and Caroline Sallee of EY's QUEST practice to develop projections of the

City's General Fund revenues in five key areas—income taxes, property taxes, wagering taxes, state revenue sharing, and utility users' taxes. Mr. Malhotra relied on these projections in making his forty-year projections.

(b) *Other operating revenues*: Other operating revenues consist of sales and charges for services, other revenue, General Fund reimbursements, and department revenue initiatives. Mr. Malhotra based his post-FY2023 forecast of these revenues on their respective FY2023 estimates from the ten year projections. An inflationary growth rate of 2.0% is assumed annually beginning in FY2024 based upon the long-term inflationary rate developed by Robert Cline and others in EY's QUEST practice.

(c) *Transfers in (UTGO millage)*: Consistent with the ten-year projections, Mr. Malhotra projected the expected revenues from the UTGO property tax millage based upon debt amortization schedules provided by the City's Finance Department with the assumption that sufficient tax revenues would be generated to cover required the debt service.

(2) Mr. Malhotra made the following assumptions in forecasting the expenditures the City can expect over the forecast period:

(a) *Salaries/Overtime/Fringe - Public Safety*: The projections assume 2.0% annual wage growth for employees beginning in the second decade and 2.25% annual wage growth in the third and fourth decade.

(b) *Salaries/Overtime/Fringe - Non-Public Safety*: The projections assume 2.0% annual wage growth for employees beginning in the second decade and 2.25% annual wage growth in the third and fourth decade.

(c) *Health Benefits*: The projections assume a 4.0% annual inflation rate for hospital costs. Under the terms of the Plan, medical cost inflation greater than 4.0% is borne by the employees.

(d) *OPEB payments – future retiree*: OPEB payment contributions will be $1 million annually for future public safety retirees and 2.0% of salary for non-public safety future retirees, as required by the Plan.

(e) *Active pension plan*: As required by the Plan, the City will make contributions of 12.25% of salary for active public safety employees and 5.75% for active non-public safety employees.

(f) *Other operating expenses and additional operating expenditures*: Other operating expenses consist of (i) professional and contract services, (ii) materials and supplies, (iii) utilities, (iv) purchased services, (v) risk management and insurance, (vi) maintenance capital, (vii) other expenses, (viii) contributions to non-enterprise funds, and (iv) the DDOT subsidy. Mr. Malhotra based his post-FY2023 forecast of these expenses on their respective FY2023 estimates from the ten-year projections. Mr. Malhotra assumed that the impact of the first decade increase in the DDOT subsidy (primarily associated with reduced

State operating assistance revenue) will be offset by operational savings beyond FY2023. He assumed an annual inflationary growth rate of 2.0% beginning in FY2024.

(g) *Secured debt service*: The projections assume that payments to secured claims will be unaltered by a restructuring. Mr. Malhotra relied on debt amortization schedules provided by the City's Finance Department.

(h) *Contributions to the Income Stabilization Funds*: Consistent with the ten year projections, Mr. Malhotra relied on his team to estimate the level of required contributions to the Pension Income Stabilization Funds contemplated by the Plan. Mr. Malhotra's team relied upon (i) information on pension payments received by retirees that was classified by age group and payment amount, and (ii) census data for Detroit residents that could be used to estimate sources of income other than pension payments. Mr. Malhotra's team used this information to estimate total household income for pension recipients. Mr. Malhotra's team compared this amount to the Federal Poverty Level in order to estimate the potential required payments from the Income Stabilization Funds.

(i) *QOL/Exit financing*: The projections assume exit financing will be an 11-year note funded on October 31, 2014, with interest-only payments in the first 4 years and equal principal payments made in years 5 through 11.

(j) *Reorganization (Capital investment)*: Mr. Malhotra relied upon the level of capital expenditures provided by Conway MacKenzie. This normalized level of annual capital expenditures is assumed to grow at an inflationary growth rate of 2.0% annually.

(k) *Contingency and reinvestment deferral*: Consistent with the ten-year projections, Mr. Malhotra included a contingency reserve amount to reflect unanticipated events that cannot be assigned to specific programs. The contingency reserve is calculated as 1.0% of revenue per year throughout the forecast period. Mr. Malhotra also maintained the amount of funds necessary to ensure adequate cash liquidity by establishing minimum cash reserves amounting to two months of payroll expenses. To accomplish this, Mr. Malhotra made certain timing adjustments, including the assumed deferral of some reinvestment spending, to ensure that the City did not run a deficit in any fiscal year.

(3) Mr. Malhotra made the following assumptions in determining the other sources of funds for unsecured claims:

(a) *Revenue stream from DWSD*: Under the Plan no pension contributions are required of DWSD after 2023. Mr. Malhotra also incorporated DWSD's reimbursement of the General Fund for its restructured OPEB and POC costs (*see* Uses section below). DWSD's portion of OPEB (12.1%) was calculated based on its portion of fiscal year 2013's actual retiree healthcare costs. DWSD's

portion of POC (11.5%) was calculated based on their allocated principal from the 2006 POC refunding transaction. Relatedly, Mr. Malhotra determined that even with these payments, DWSD will realize savings under the Plan relative to a no-restructuring scenario.

(b) *Reimbursement from other funds*: The projections reflect reimbursements from Library and Municipal Parking (non-General Fund) for POC and pension expenses. For POC reimbursements, Mr. Malhotra relied upon the allocation of principal from the 2006 POC refunding transaction, as well as all fiscal year 2013 payroll by department. For pension reimbursements, Mr. Malhotra relied upon fiscal year 2012 General Retirement System UAALs (per Gabriel Roeder Smith's 74th Annual Actuarial Valuation Report dated November 5, 2013) as well as the fiscal year 2013 payroll.

(c) *Proceeds from the "grand bargain" (foundation fundraising, DIA contributions, State settlement)*: The projections reflect the terms of the grand bargain between the City of Detroit, the State of Michigan and the Detroit Retirement Systems. Included herein are one-time proceeds from the State of Michigan as well as foundation fundraising and DIA contributions to be collected over a nineteen-year period (2015-2033).

(4) Mr. Malhotra made the following assumptions in determining the projected uses of funds available for unsecured claims:

(a) *Hypothetical retiree payments*: Mr. Malhotra relied upon the terms of settlements made with the Retirement Systems and the Retiree Committee for the projected PFRS and GRS pension payments in years 2015 through 2023. Mr. Malhotra then relied upon Milliman's calculation of value for each System's UAAL at June 30, 2023. These UAAL figures were then amortized over thirty years (2024-2053).

(b) *Note A1 (UTGO)*: Mr. Malhotra relied upon the terms of the settlement with unsecured UTGO creditors for the projections of Note A1. Mr. Malhotra assumed that $287.5 million in principal of the UTGO bonds was reinstated pro-rata upon confirmation of the Plan.

(c) *Note A2 (LTGO)*: Mr. Malhotra relied upon the terms of a settlement with unsecured LTGO creditors for the projections of Note A2. Mr. Malhotra assumed that the full amount of the $55 million Note A2 would be paid in FY2015.

(d) *Note B*: These projections reflect the principal and interest payments on a $632 million thirty-year note paying interest only for the first ten years. The interest rates for each of the three decades covered by this note are 4.0%, 4.0%, and 6.0%. The face value of this note was divided amongst the remaining unsecured creditors: OPEB, POC, Notes/loans payable, and other unsecured items.

EXHIBITS

Attached as Exhibit A are exhibits Mr. Malhotra intends to rely upon during his testimony. The City reserves its right to use other exhibits during Mr. Malhotra's testimony, including demonstrative exhibits created from or summarizing existing exhibits.

MATERIALS CONSIDERED IN REACHING OPINIONS

Attached as Exhibit B is a listing of materials Mr. Malhotra considered in reaching his opinions. Mr. Malhotra also had available to him City officials, advisors, and consultants, as well as the expertise of Robert Cline and Caroline Sallee and the materials they considered.

QUALIFICATIONS

Mr. Malhotra is a Principal and the Midwest Restructuring Leader at EY, as well as a Senior Managing Director at Ernst & Young Capital Advisors LLC. Mr. Malhotra received his undergraduate degree from the University of Delhi and a Masters of Business Administration degree from Case Western Reserve University, where he had a dual major in Finance and Business Policy. Mr. Malhotra has

nearly 14 years of financial and operational restructuring experience. Prior to joining EY in 2009, Mr. Malhotra was a Director in the restructuring division of Macquarie Capital (USA) Inc., a leading merchant bank. Mr. Malhotra is a Chartered Financial Analyst and a member of both the Turnaround Management Association and the Association of Insolvency and Restructuring Advisors.

Mr. Malhotra has advised numerous entities, both in the public and private sectors, in evaluating strategic alternatives and executing complex restructuring transactions. As part of this work, Mr. Malhotra has developed significant experience in liquidity analyses, cash-flow forecasting, and business plan development, among other things. Mr. Malhotra's private-sector engagements include Liberty Medical Supply, Inc., Schutt Sports, Collins & Aikman Corporation, Delta Airlines, Inc., and Eagle Pitcher. Mr. Malhotra also has significant experience in the public sector, including involvement in the recent restructuring efforts of the Detroit Public Schools and through his work on behalf of the City of Detroit since May 2011. These engagements have involved liquidity analyses, cash forecasting, and related projections of revenue and expenses.

Prior Expert Testimony

Mr. Malhotra has previously testified in this case as an expert in financial analysis.

Compensation

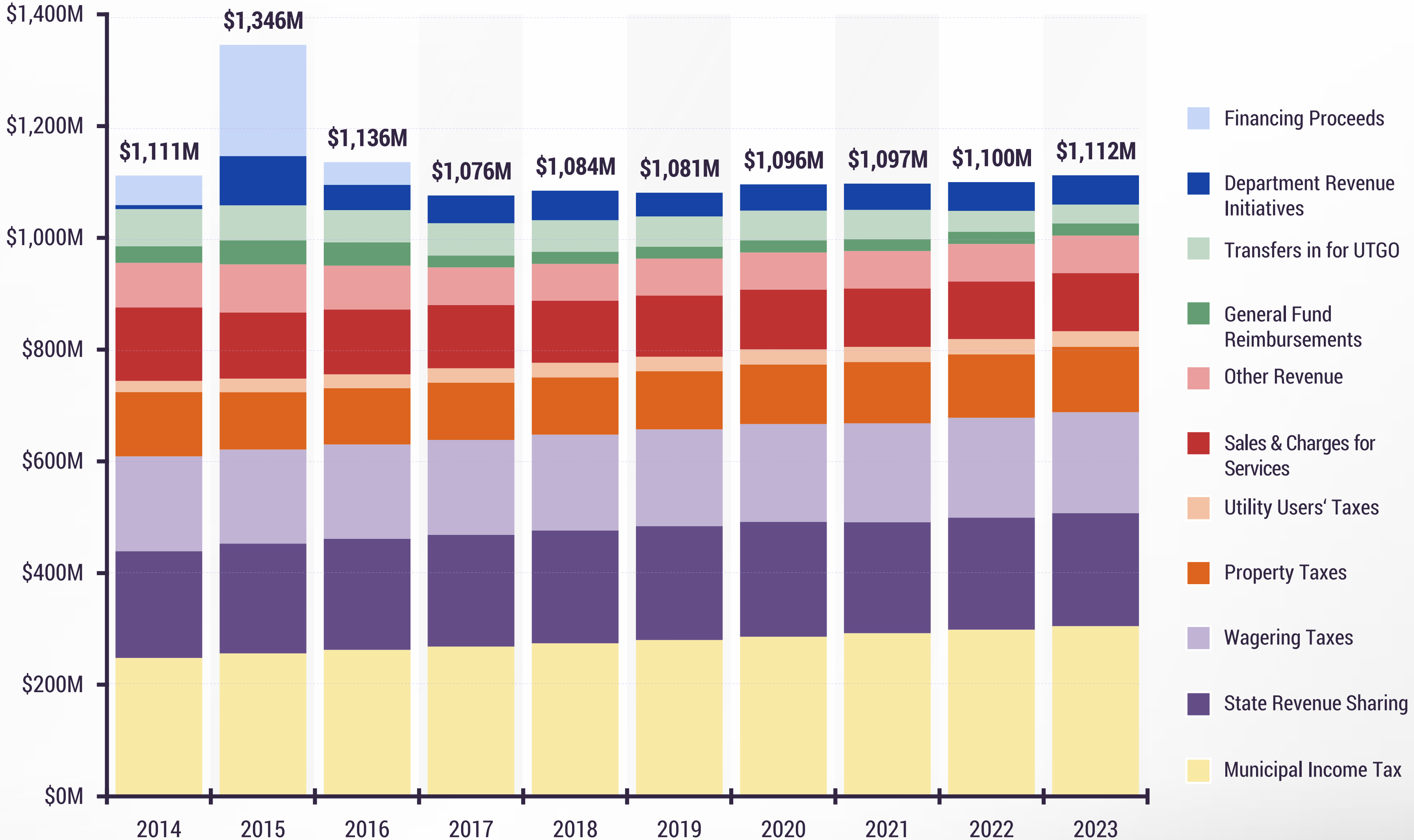
The City retained Ernst & Young LLP to provide expert witness services to the City in connection with *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.) (Rhodes, J.). The City compensates EY at an hourly rate of $800 for actual time incurred by Mr. Malhotra, as well as reasonable out-of-pocket expenses. These fees are subject to a 10% hold-back contingent on plan confirmation by December 31, 2014.

Dated: July 8, 2014

Gaurav Malhotra

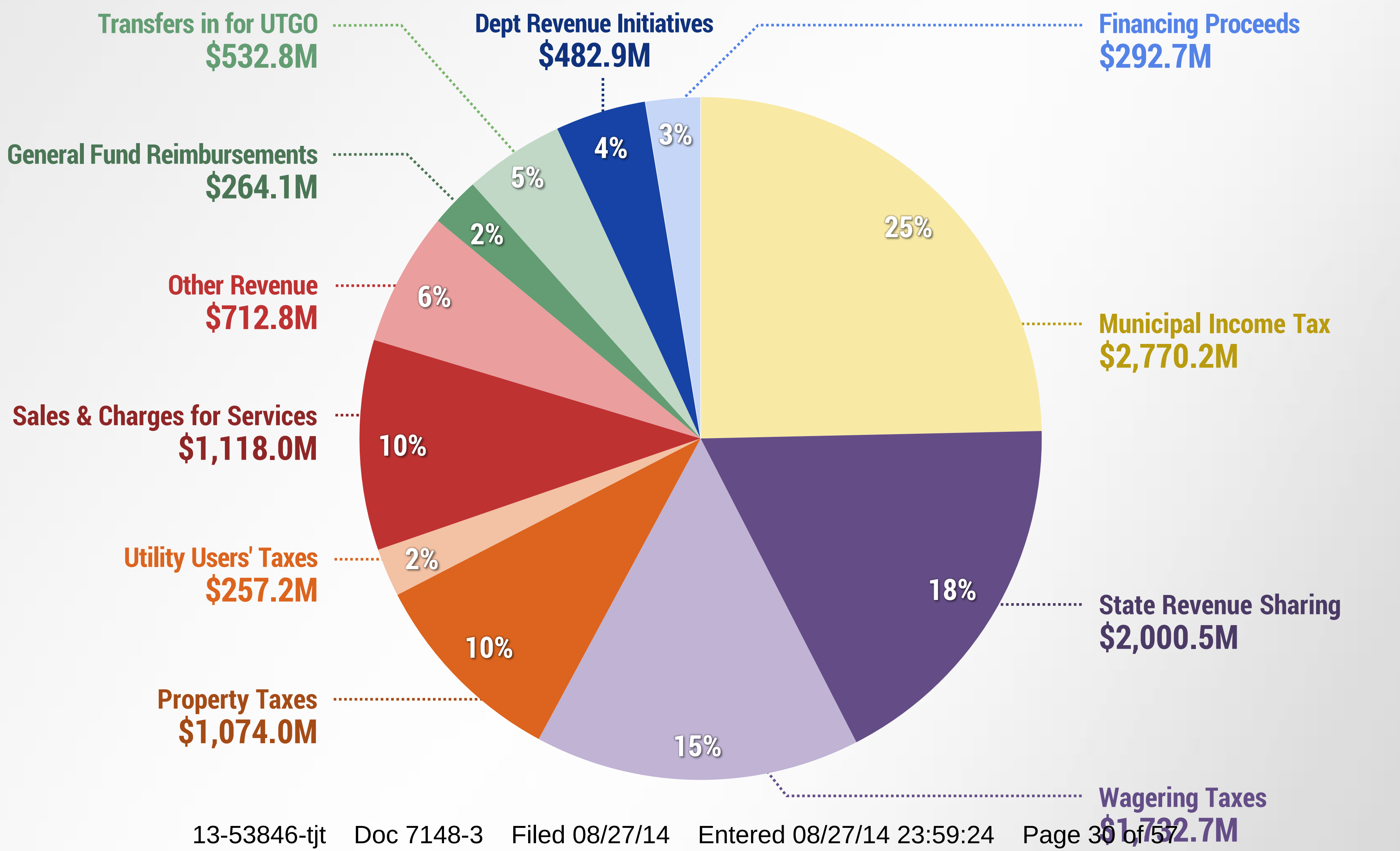
EXHIBIT A

Revenues, 2014 – 2023

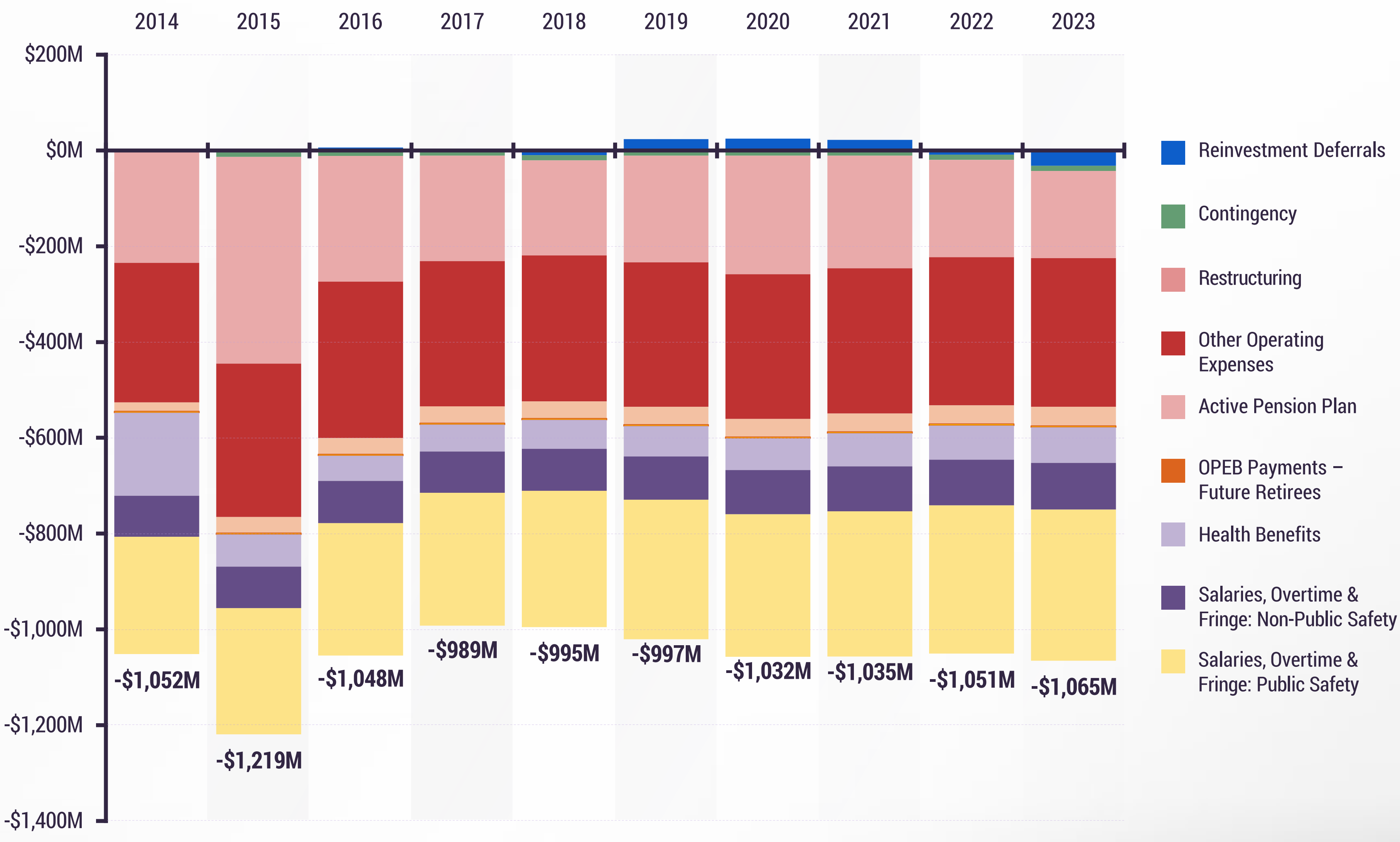


Revenues,
2014 – 2023, Ten-Year Total

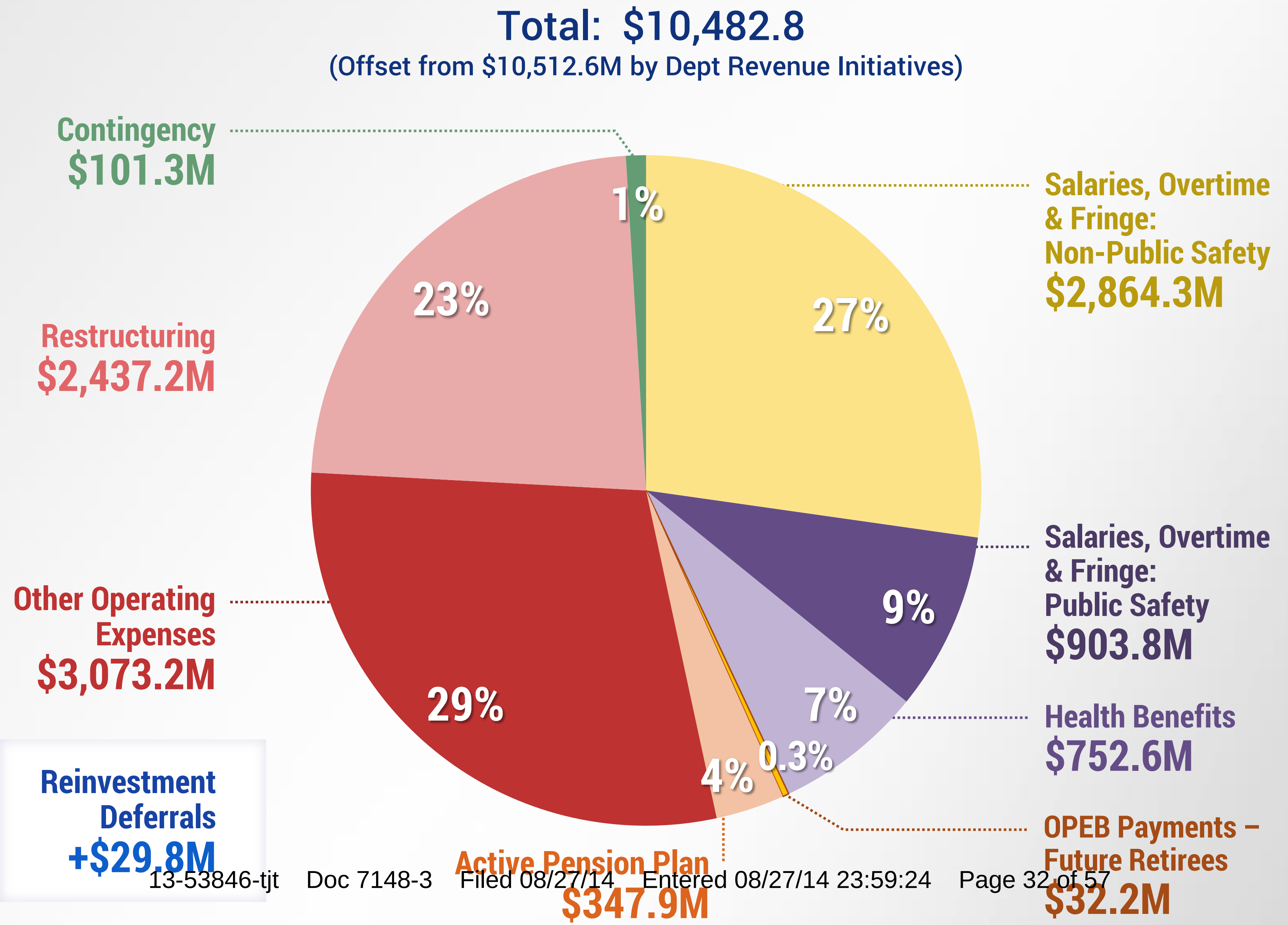
Total: $11,237.8M



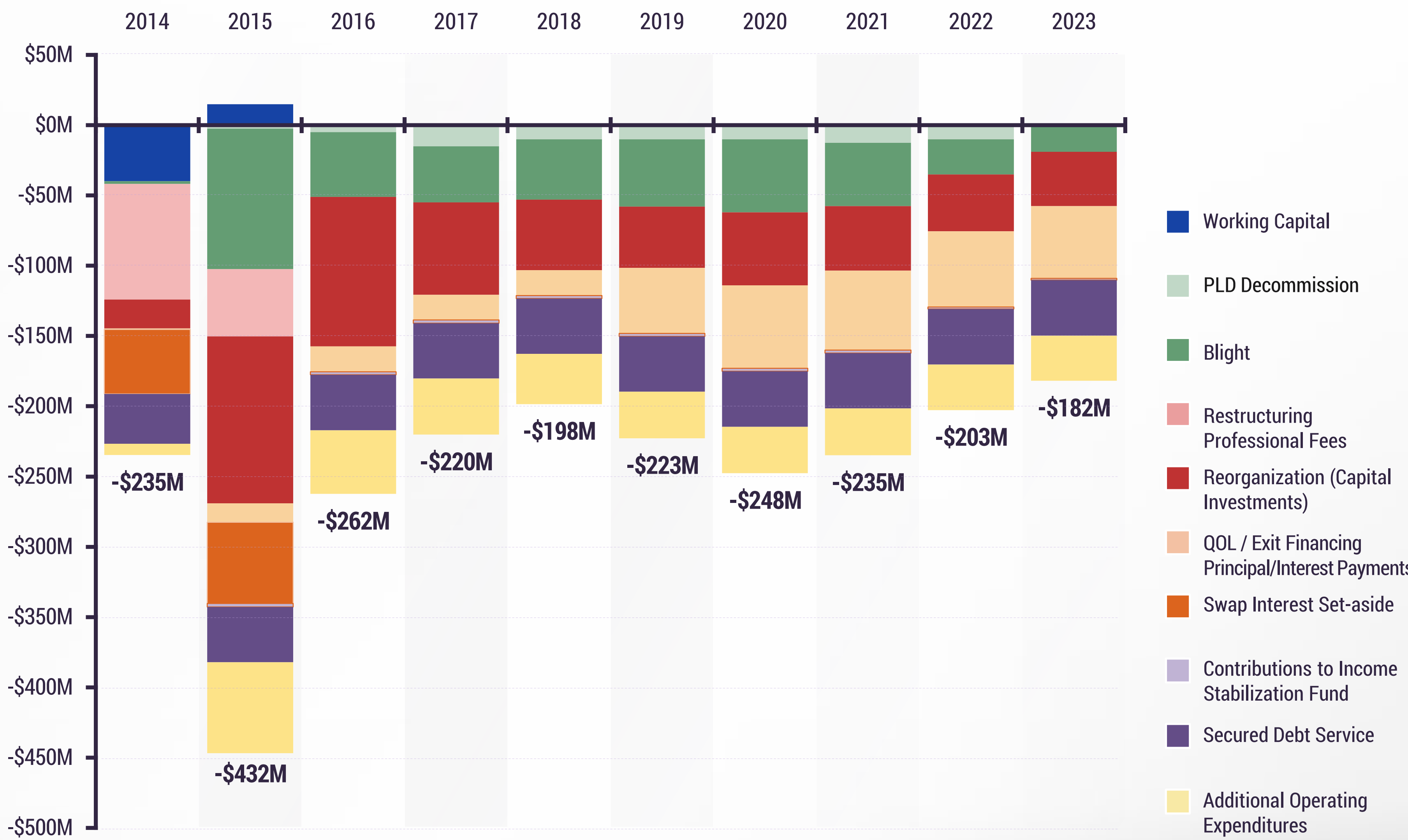
Expenditures, 2014 – 2023



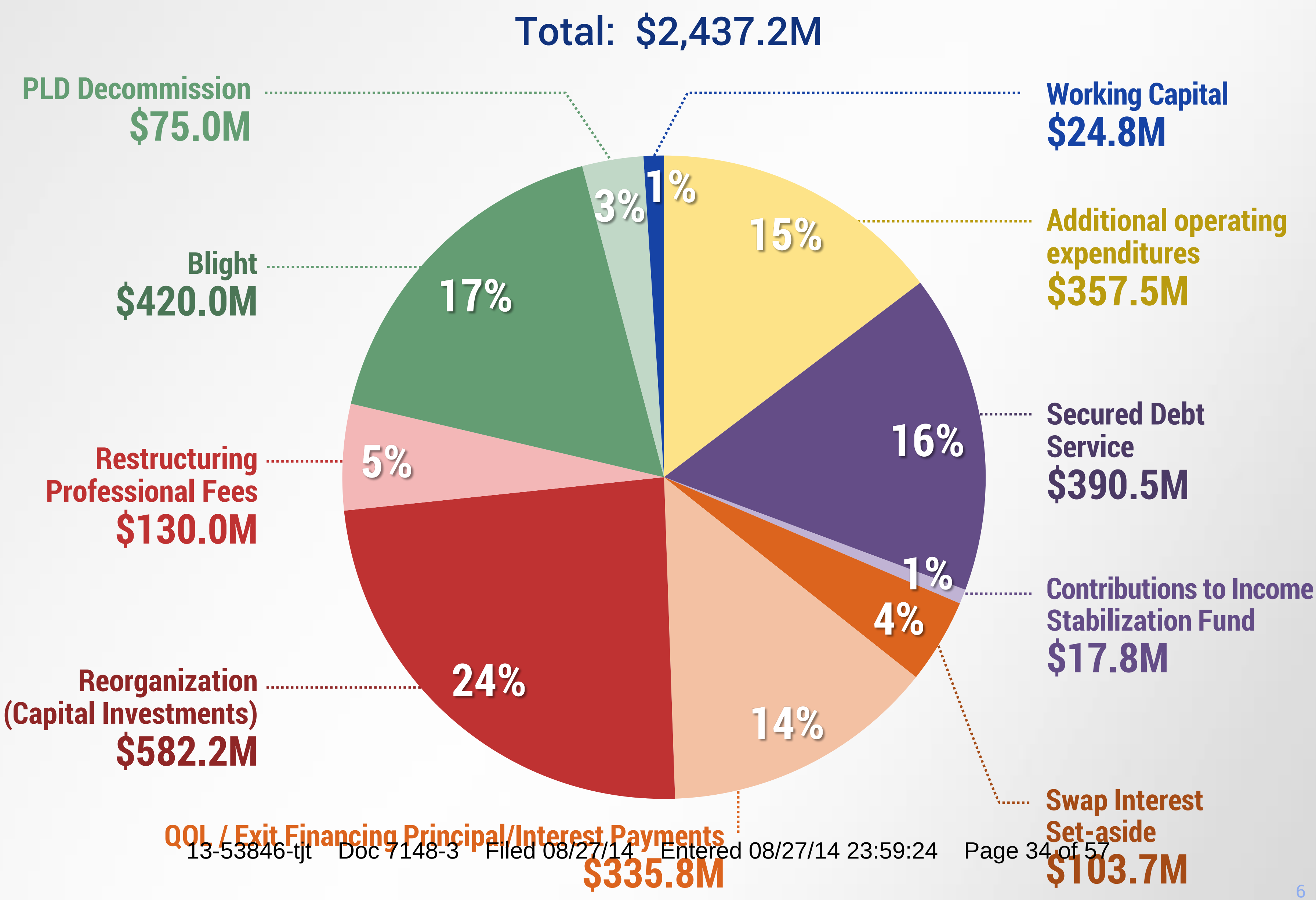
Expenditures, 2014 – 2023, Ten-Year Total



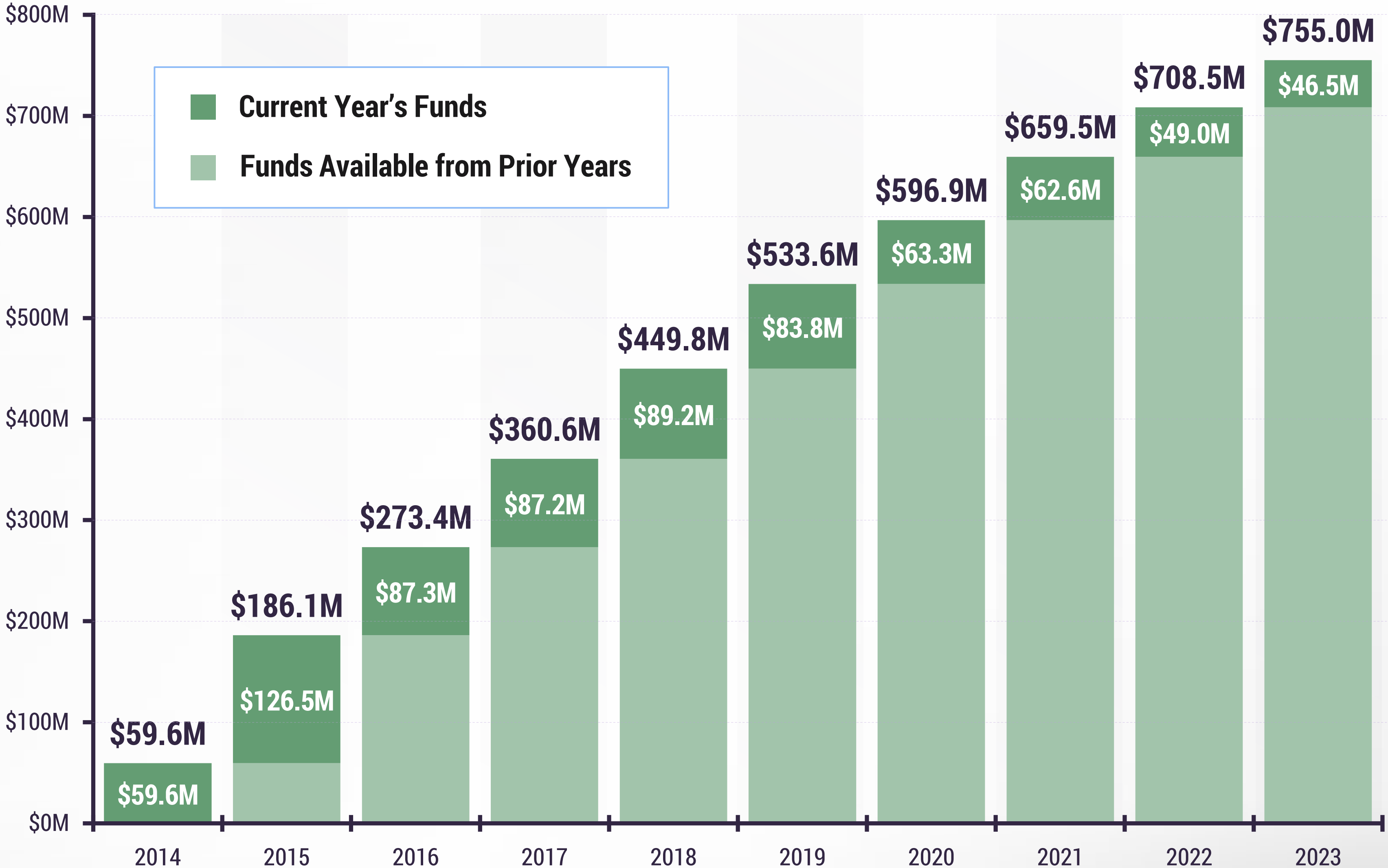
Restructuring Expenditures, 2014 – 2023



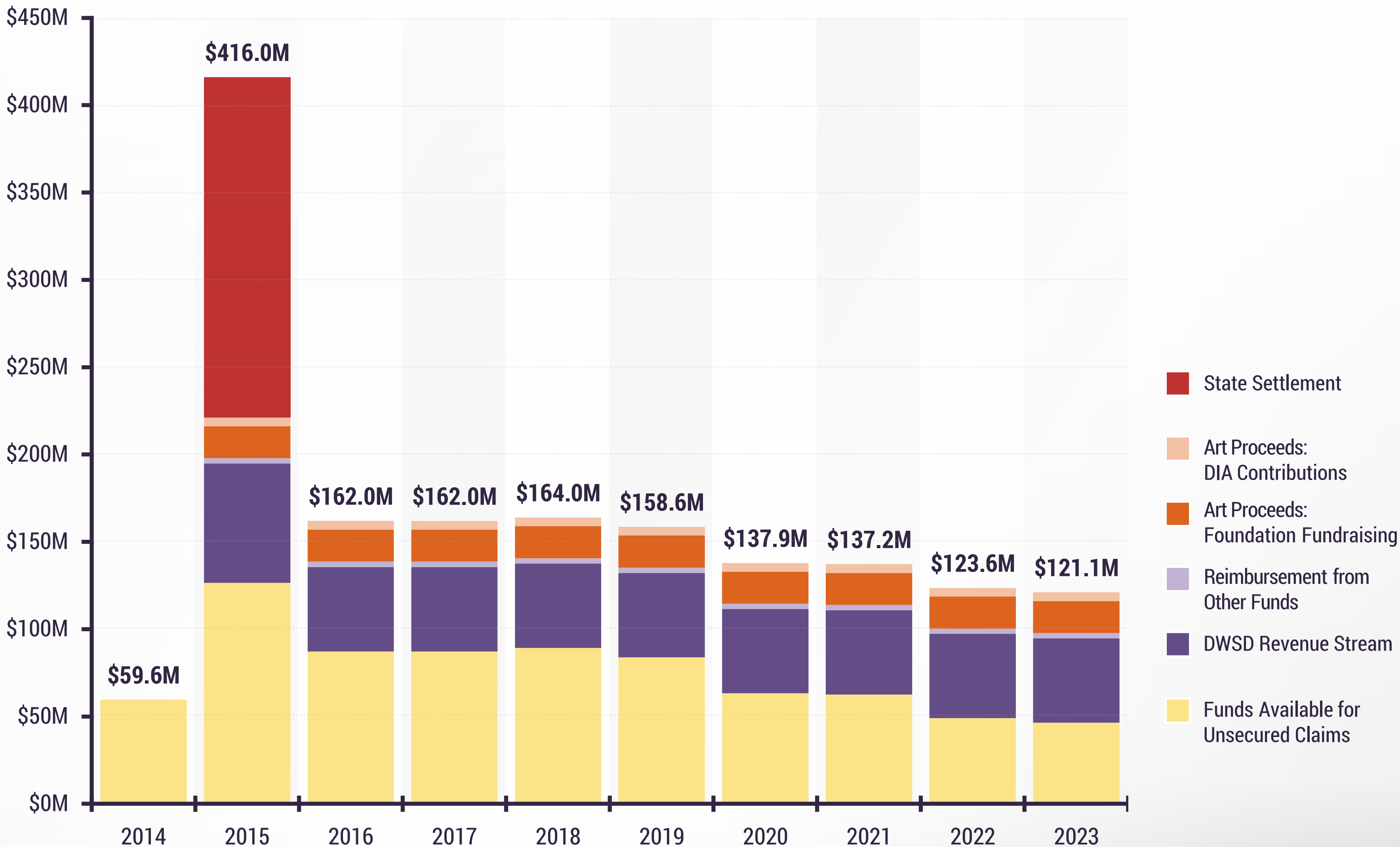
Restructuring Expenditures, 2014 – 2023, Ten-Year Total



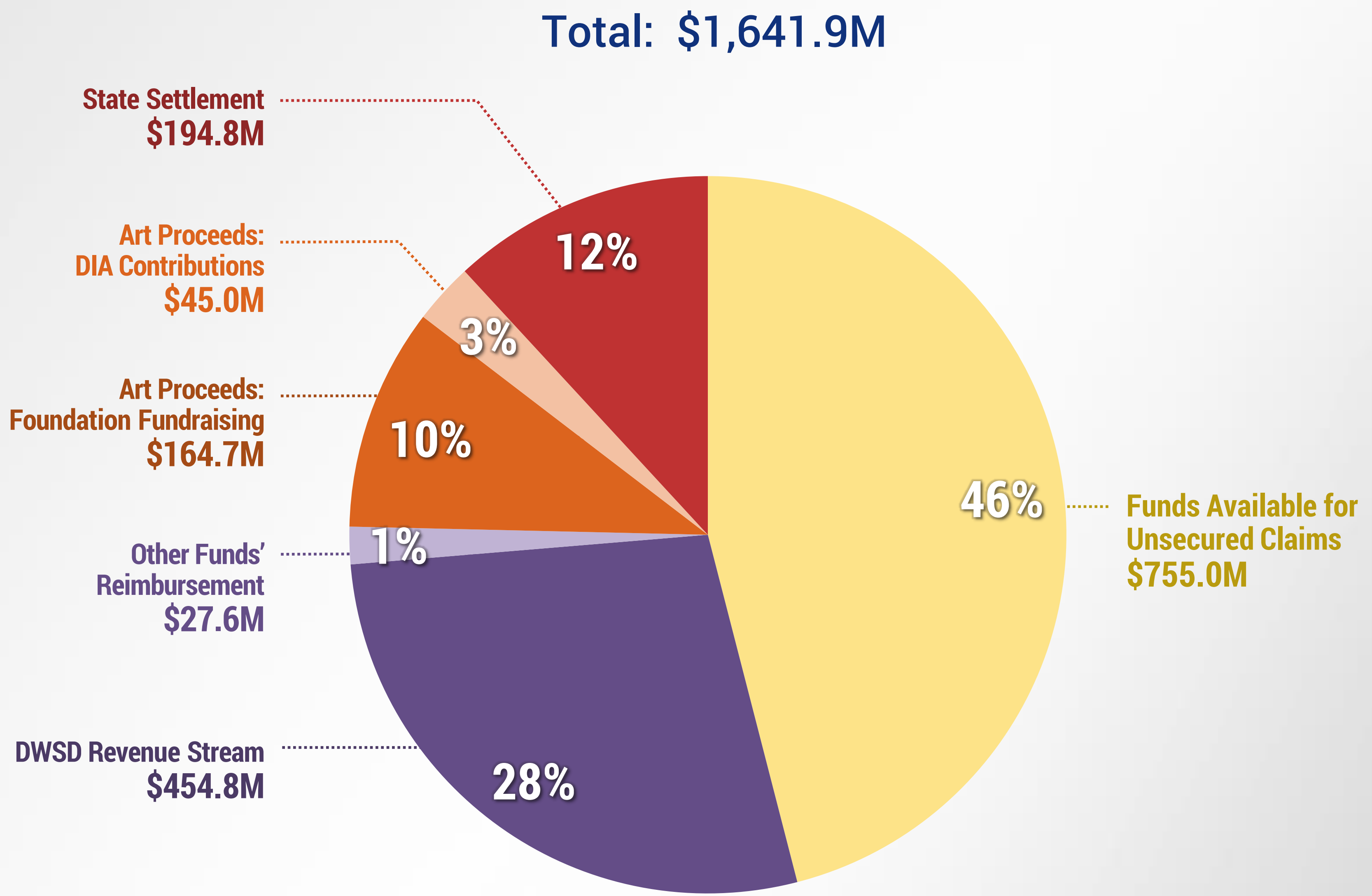
Adjusted Funds Available for Unsecured Claims, 2014 – 2023



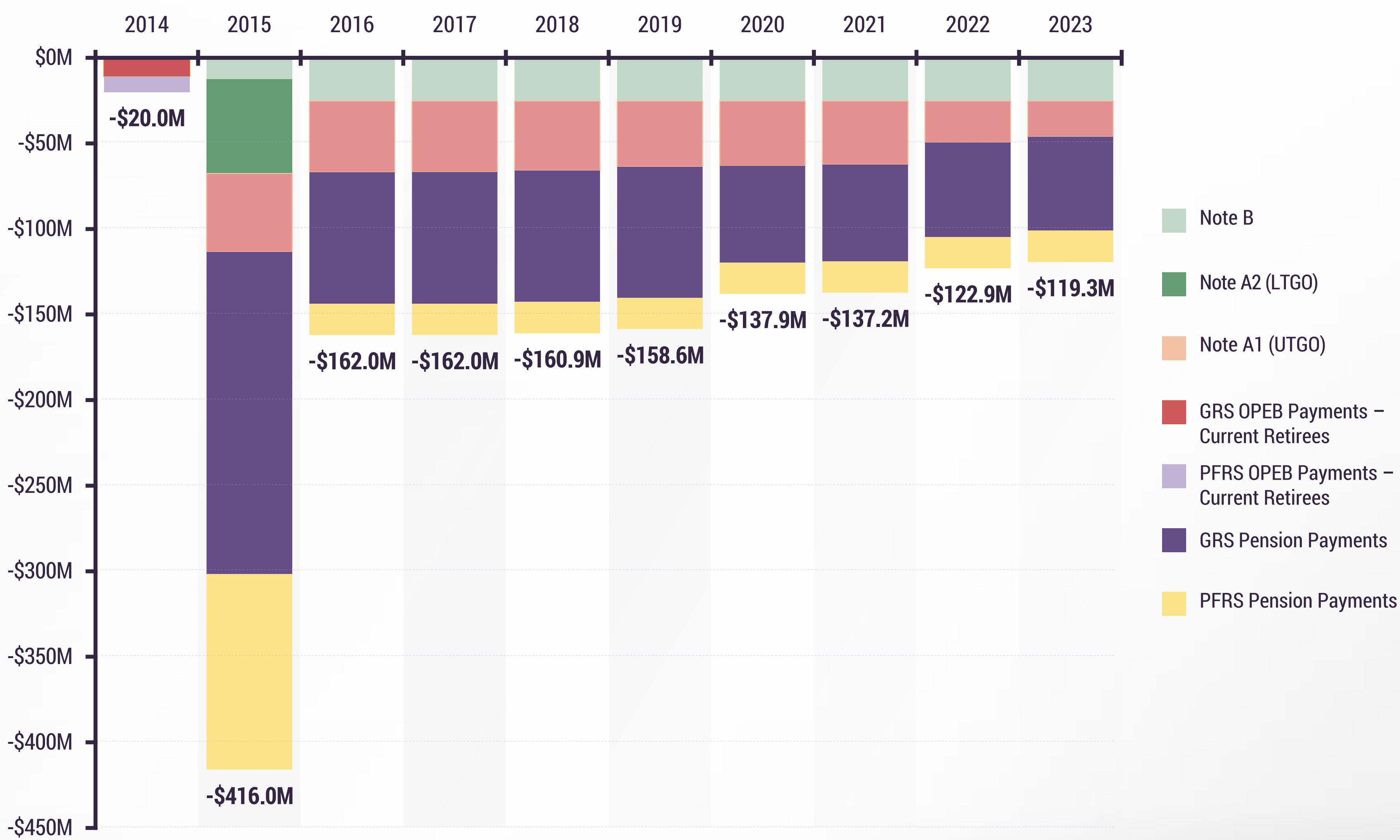
Forecasted Sources of Funds for Unsecured Claims, 2014 – 2023



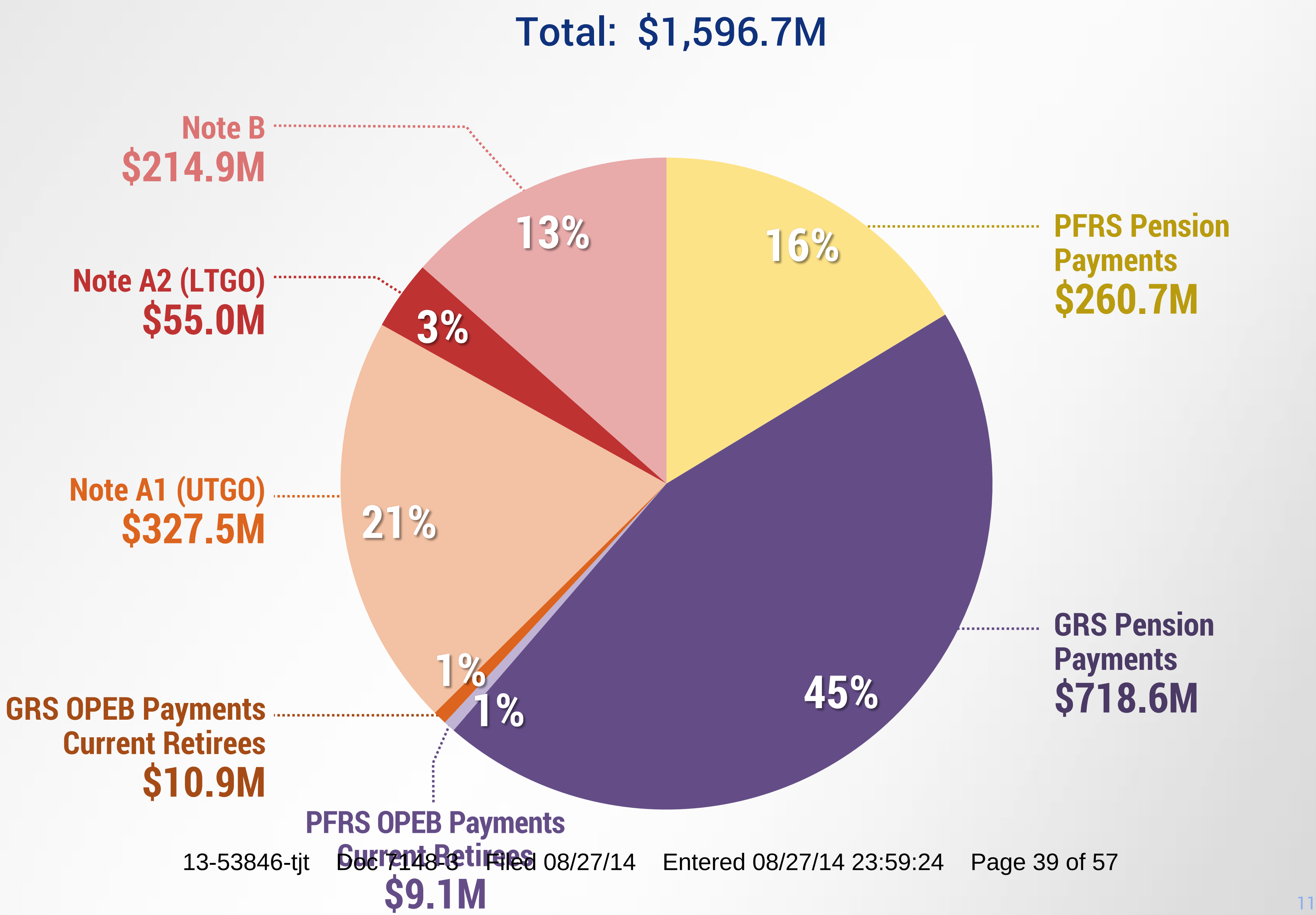
Forecasted Sources of Funds for Unsecured Claims, 2014 – 2023, Ten-Year Total



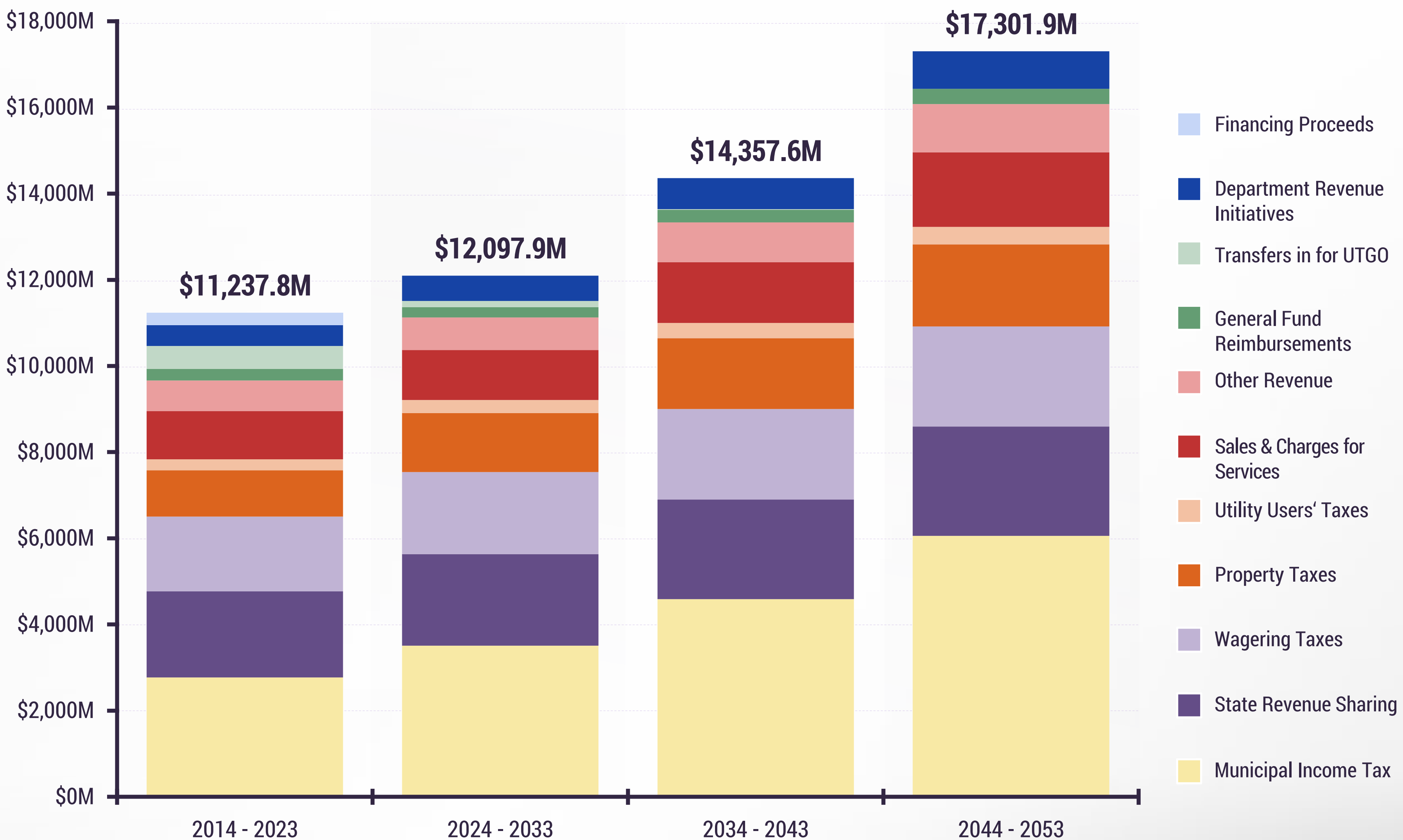
Forecasted Distributions for Unsecured Claims, 2014 – 2023



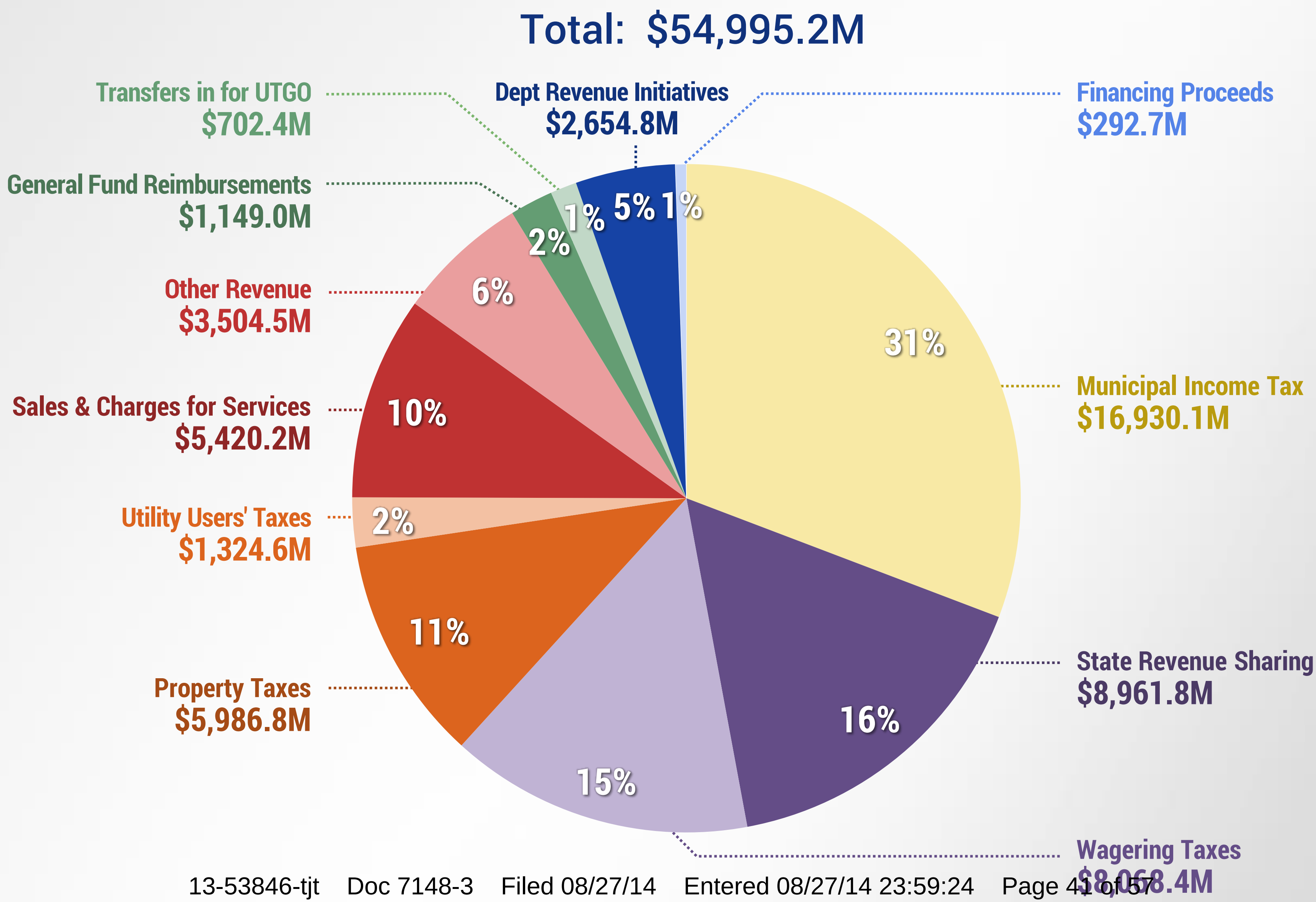
Forecasted Distributions for Unsecured Claims, 2014 – 2023, Ten-Year Total



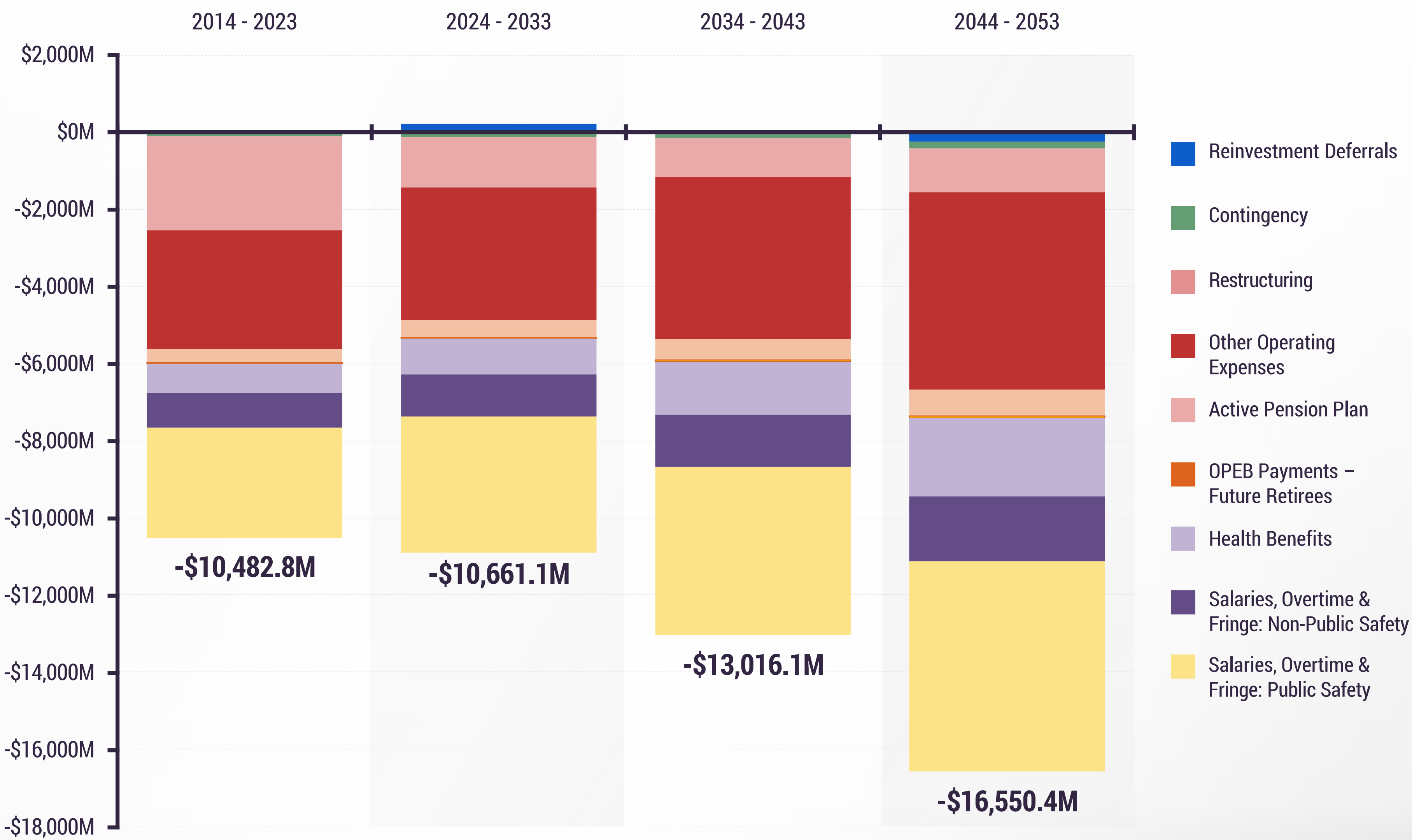
Revenues, 2014 – 2053



Revenues,
2014 – 2053, Forty-Year Total

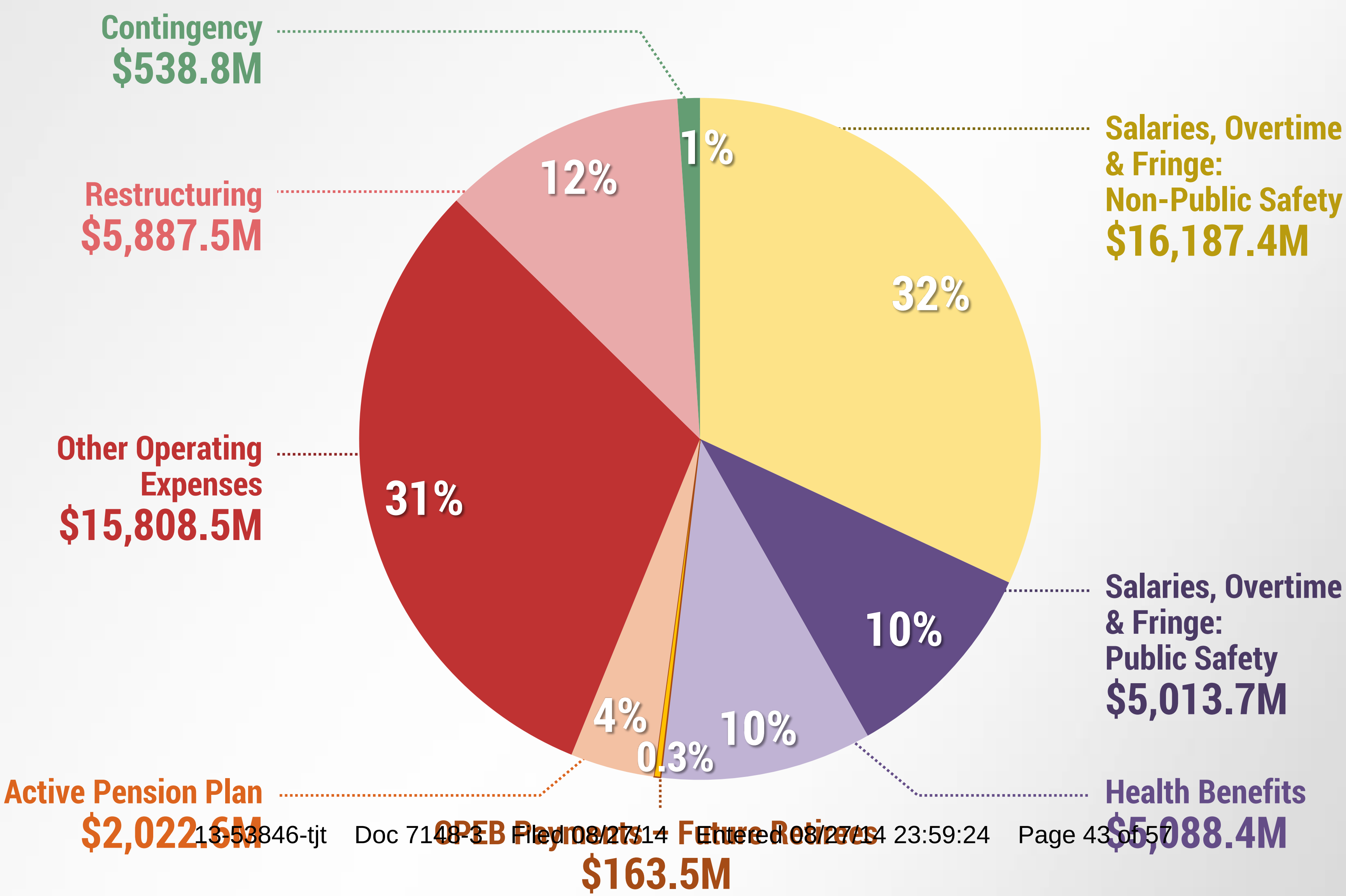


Expenditures, 2014 – 2053

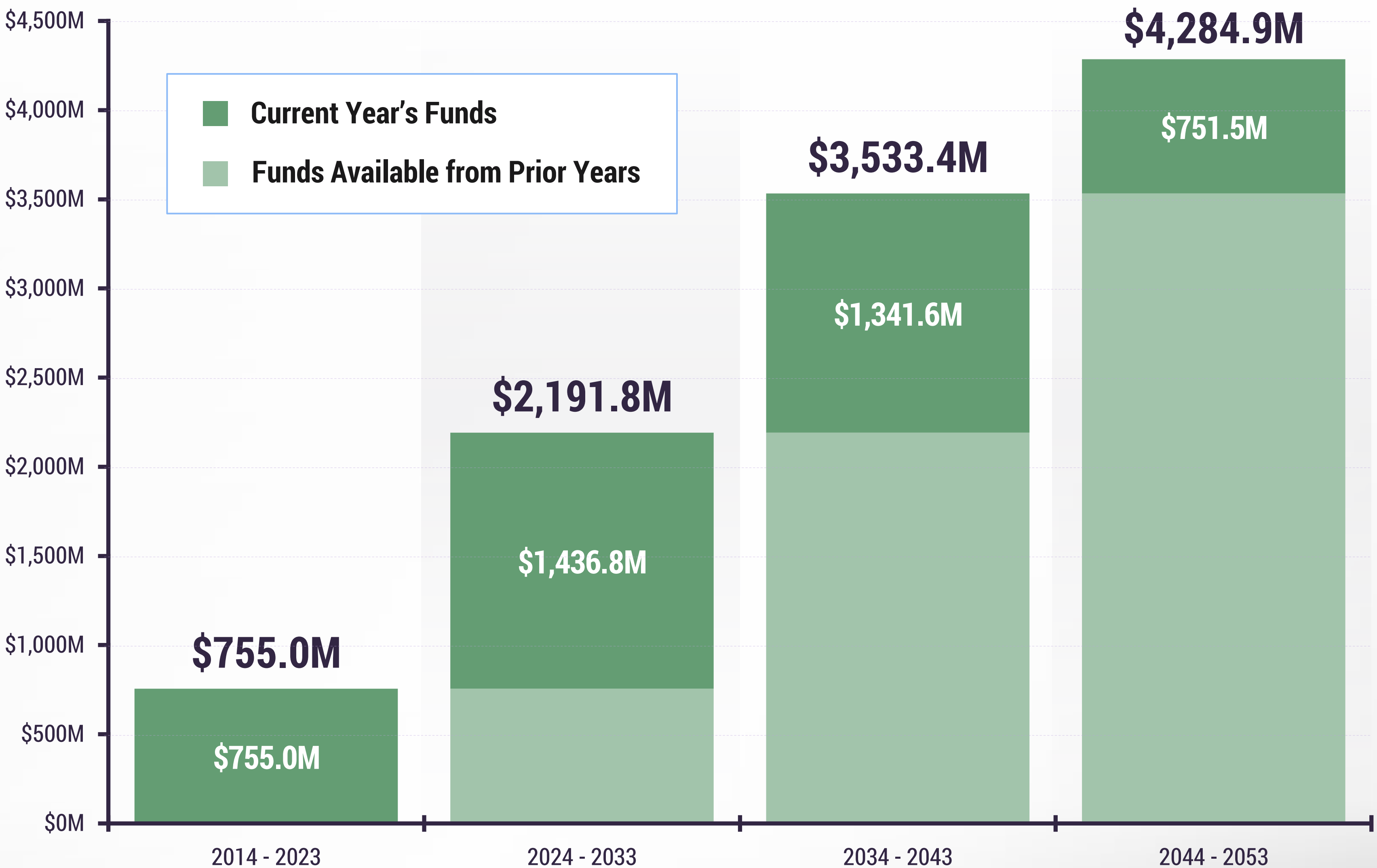


Expenditures, 2014 – 2053, Forty-Year Total

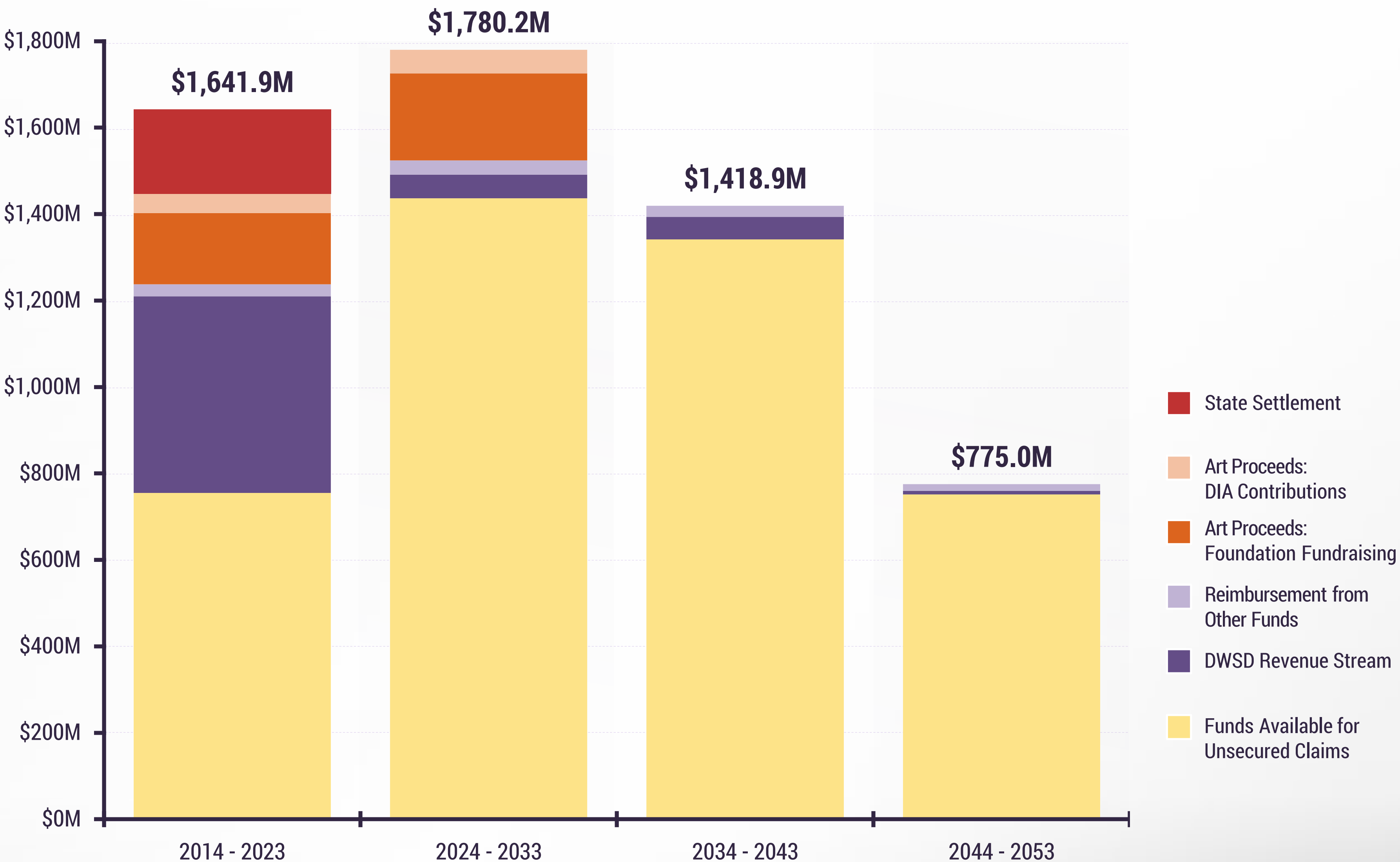
Total: $50,710.3M



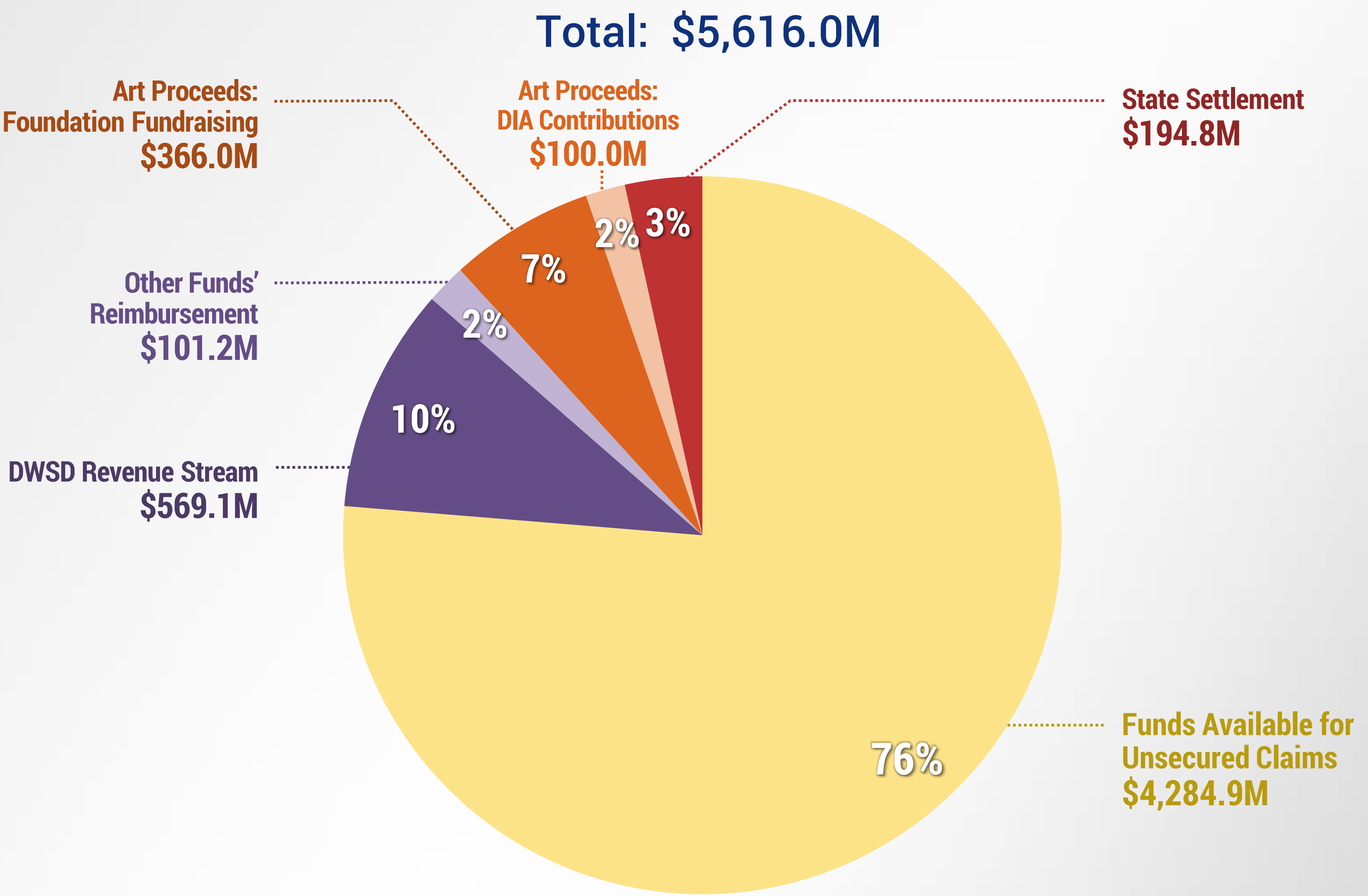
Funds Available for Unsecured Claims, 2014 – 2053



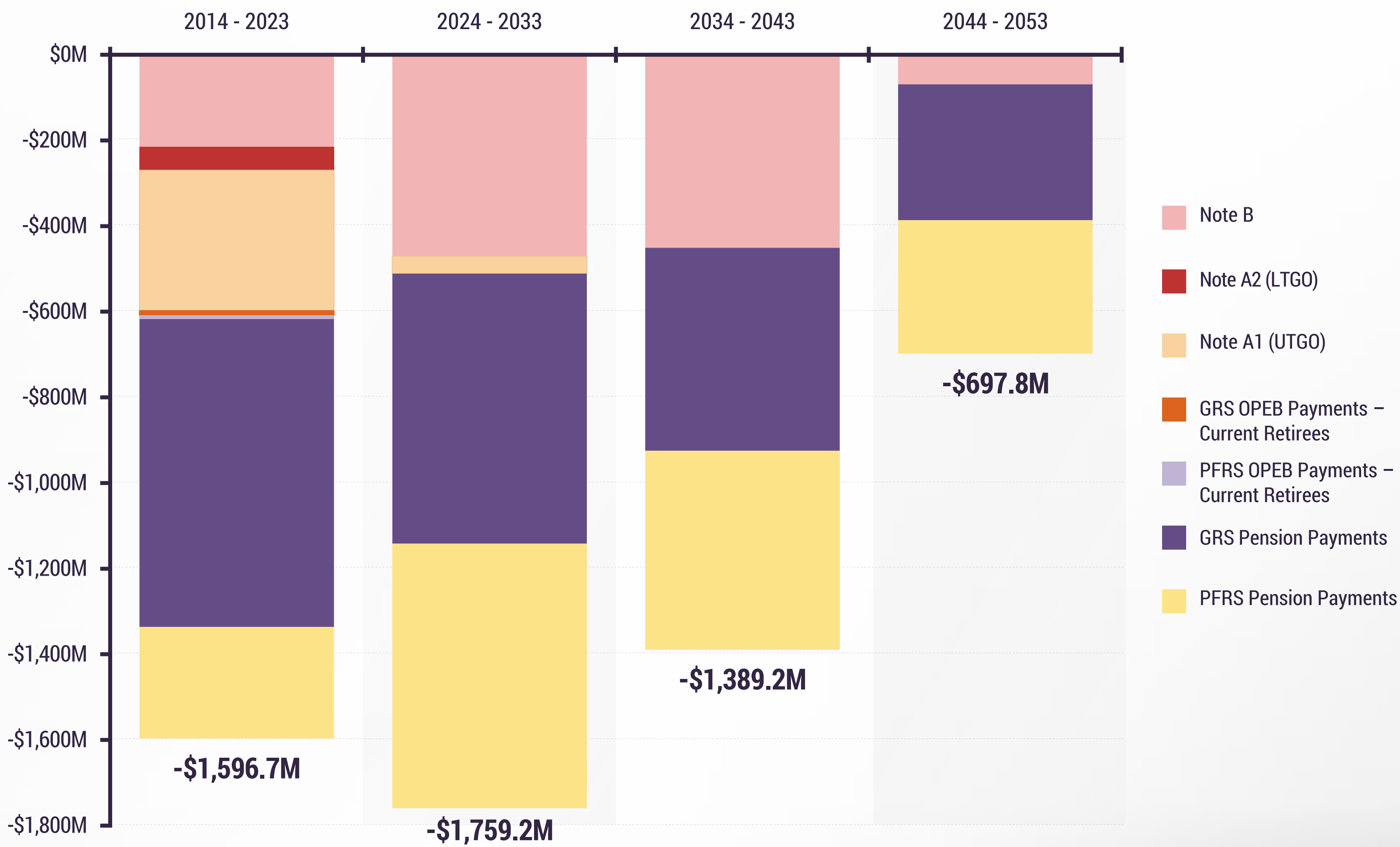
Forecasted Sources of Funds for Unsecured Claims, 2014 – 2053



Forecasted Sources of Funds for Unsecured Claims, 2014 – 2053, Forty-Year Total



Forecasted Distributions for Unsecured Claims, 2014 – 2053



Forecasted Distributions for Unsecured Claims, 2014 – 2053, Forty-Year Total

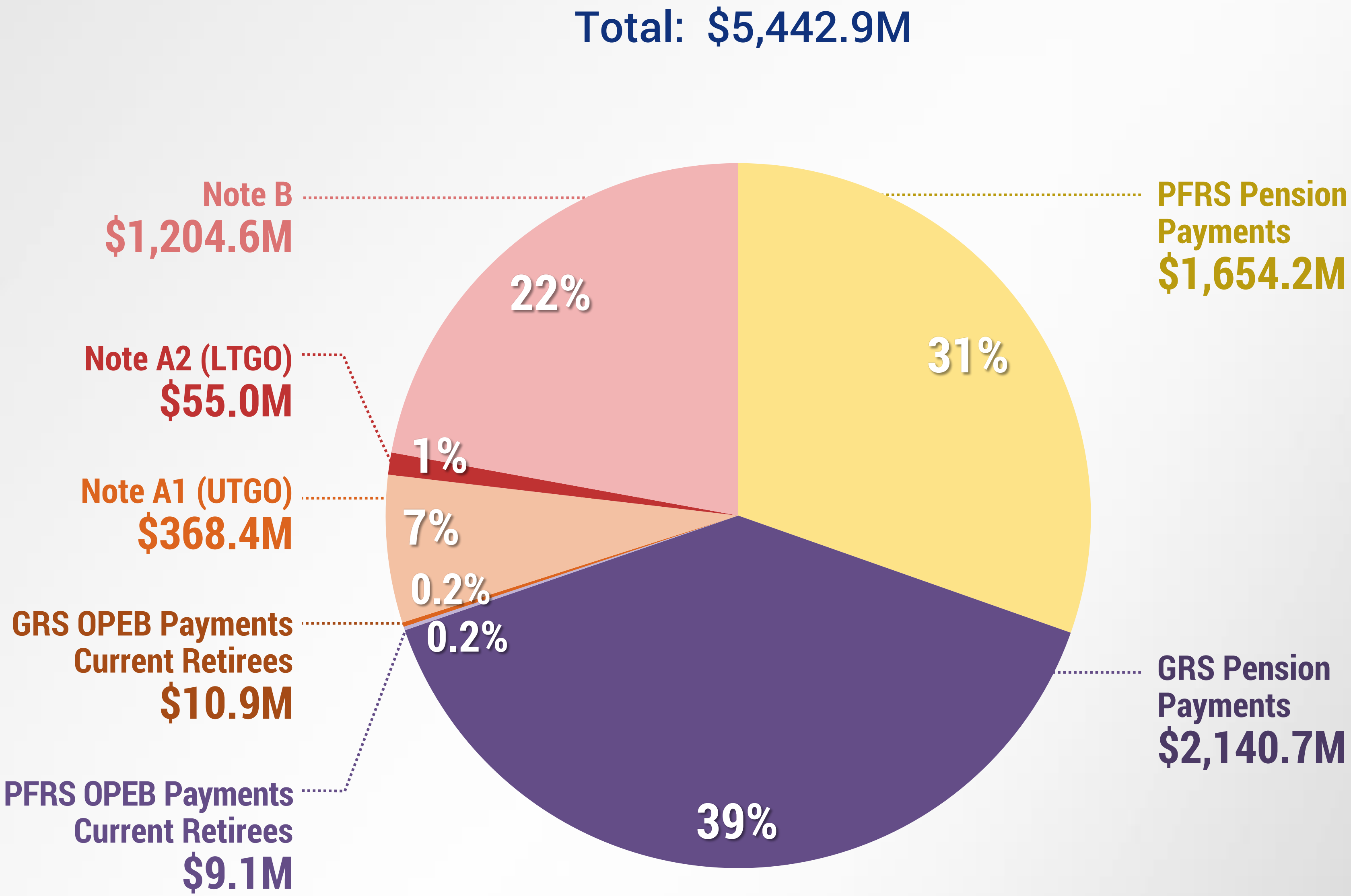


EXHIBIT B

Sources Considered By Gaurav Malhotra

Name	Bates Range	
10-Year Forecast as of 5.5.2014	POA00275421	POA00275502
40-Year Forecast as of 5.5.2014	POA00275503	POA00275511
2011 L-4037 - Ad Valorem and Special Acts - STC Assessment Roll Certification (Board of Review)	POA00275512	POA00275513
2012 L-4037 Warrant (Ad Valorem) - STC Asssessment Roll Certification (Board of Review) with Supporting Documents	POA00275514	POA00275520
2013 L-4037 Warrant (Ad Valorem) - STC Asssessment Roll Certification (Board of Review)	POA00275521	POA00275522
Budget Departmentt Ad Valorem Tax Levies Rates	POA00275523	POA00275523
Changes to Detroit Property Tax Forecasts (11.18.2013)	POA00275524	POA00275524
Changes to Detroit Property Tax Forecasts (2.24.2014)	POA00275525	POA00275526
Data Sources for Property Tax Projections	POA00275527	POA00275527
Detroit Property Tax Collection Rates	POA00275528	POA00275533
FY13 Wayne County Revolving Fund Settlement	POA00275534	POA00275534
Major Tax Payers (commercial & industrial)	POA00275535	POA00275536
Property Tax Estimating Methodology (Version 1)	POA00275537	POA00275537
Property Tax Revenue Calculations	POA00275538	POA00275538

Sources Considered By Gaurav Malhotra

Name	Bates Range	
Renaissance Zone Taxable Value	POA00275539	POA00275539
2013 Long term budget outlook inflation projections 2013-2088	POA00275848	POA00275849
BEA Data -- GDP Inflation 1992 2012	POA00275850	POA00275850
Census On the Map data Detroit worker flow (2002-2012)	POA00275851	POA00275851
Detroit income tax forecast information (08.09.2013)	POA00275852	POA00275854
Income Tax Revenue Calculations	POA00275855	POA00275855
MI Economic & Revenue Forecast Presentation	POA00275856	POA00275895
MI Economic & Revenue Forecast Presentation	POA00275929	POA00275978
SEMCOG 2040 Forecast Summary (April 2012)	POA00275979	POA00276041
SEMCOG Population Estimates	POA00276042	POA00276042
SFA Economic Outlook May 2013	POA00276043	POA00276112
US Bureau of Labor Statistics LAUS MI Detroit (1990 - 2013)	POA00276113	POA00276113
MGCB Casino Adjusted Gross Receipts	POA00276114	POA00276114
FY14 State Revenue Sharing Amounts	POA00276115	POA00276115

Sources Considered By Gaurav Malhotra

Name	Bates Range	
FY15 State Revenue Sharing Amounts	POA00276116	POA00276116
SEMCOG 2040 Forecast Summary (April 2012)	POA00276117	POA00276179
SEMCOG Population Estimates	POA00276180	POA00276180
State Revenue Sharing - Detroit Projections Through FY2025 (05.23.2013)	POA00276181	POA00276182
2013 IAFF News, FEMA Announces SAFER Grant Awards	POA00276183	POA00276184
DPD Grant Projection Summary	POA00276185	POA00276185
Vehicle Fund & UTGO Data	POA00276186	POA00276186
Sales and Charges fo Services Data	POA00276187	POA00276187
Description of Estimating Methodology (06.06.2013)	POA00276188	POA00276193
Detroit Tax Forecast Information (07.24.2013)	POA00276194	POA00276195
June 2012-October 2013 monthly headcount by department	POA00276196	POA00276196
Public safety and DDOT headcount ramp-up projection	POA00276197	POA00276197
Average salary by department	POA00276198	POA00276198
Estimated fringe rates by funding group	POA00276199	POA00276199

Sources Considered By Gaurav Malhotra

Name	Bates Range	
Salary, Headcount and Ramp-Up Data	POA00276200	POA00276200
Milliman Report - Active Healthcare	POA00276201	POA00276211
Milliman Report - Retiree Healthcare	POA00276212	POA00276250
FY13 healthcare by funding group	POA00276251	POA00276251
Milliman report, GRS	POA00276252	POA00276258
Milliman report, PFRS	POA00276259	POA00276265
Pension 10 Year Summary	POA00276266	POA00276266
Baird - LTGO debt service	POA00276267	POA00276271
Baird - Detroit Debt Book (05.19.2011)	POA00276272	POA00276272
Baird - POC debt service	POA00276273	POA00276274
POC Allocation Data	POA00276275	POA00276275
Wolinski and Co., CPA, POC Allocation Memo	POA00276276	POA00276296
POC & SWAP 10 Year Summary	POA00276316	POA00276316
Post-petition financing - Bond Purchase Agreement	POA00276317	POA00276343

Sources Considered By Gaurav Malhotra

Name	Bates Range	
Post-petition financing - Trust Indenture	POA00276344	POA00276405
QOL & Post-Petition Financing Data	POA00276406	POA00276406
Baird - UTGO Debt Service	POA00276407	POA00276412
Purchased services, payroll processing	POA00275540	POA00275584
Purchased services, benefits processing II	POA00275585	POA00275589
Purchased services, benefits processing	POA00275590	POA00275610
Purchased services, MI Department of Corrections	POA00275611	POA00275614
Solid Waste Outsourcing	POA00275615	POA00275615
Contributions to non-enterprise funds	POA00275616	POA00275616
10 year DDOT subsidy projection	POA00275617	POA00275617
FY 2008 - 2013 Actuals	POA00275618	POA00275618
Emergency Manager Order 6 - Approval of Initial Funding Agreement for the PLA	POA00275619	POA00275620
Active Pension & Future Retiree OPEB Plan	POA00275621	POA00275621
Swap settlement agreement	POA00275622	POA00275646

Sources Considered By Gaurav Malhotra

Name	Bates Range	
CBO - 2013 Long term budget outlook inflation projections 2013-2088	POA00275647	POA00275648
BEA Data - GDP Inflation (1992 - 2012)	POA00275649	POA00275649
Detroit Retirees - Income Stabilization Fund Data (05.01.2014)	POA00275650	POA00275650
40 Year Revenue Projections	POA00275651	POA00275651
40 Yr Projections - Revenue and Dept Summary Overview (01.08.2014)	POA00275652	POA00275654
CBO 2013-02-Economic Projections (Property Taxes)	POA00275655	POA00275655
Metro Populations (30 Years) Data	POA00275656	POA00275656
QUEST Revenue Discusison Items (01.11.2014)	POA00275657	POA00275660
Hypothetical Art Proceeds	POA00275661	POA00275661
State Settlement Present Value Calculation	POA00275662	POA00275669
Milliman Report - GRS (no settlement)	POA00275670	POA00275690
Milliman Report - PFRS (no settlement)	POA00275691	POA00275710
Milliman Report	POA00275711	POA00275734
Milliman Report	POA00275735	POA00275756

Sources Considered By Gaurav Malhotra

Name	Bates Range	
Baird - Municipal-Bond-Market-Commentary (03.03.2013)	POA00275757	POA00275766
DWSD Pro Fee Allocation (Version 1)	POA00275767	POA00275767
DWSD Reimbursements	POA00275768	POA00275768
Milliman Report	POA00275769	POA00275792
PFRS & GRS UAAL Amortization Data	POA00275793	POA00275793
Gabriel Roeder Smith & Co. - GRS 74th Annual Actuarial Valuation (06.30.2012)	POA00275794	POA00275846
Other Reimbursements (POC & Pension) Data	POA00275847	POA00275847
Emergency Manager's Financial and Operating Plan (May 2013)	POA00649726	POA00649769
Emergency Manager's Financial and Operating Plan slidedeck (June 2013)	POA00231448	POA00231468
City of Detroit's Proposal for Creditors (June 2013)	POA00215882	POA00216015
Quarterly Report of the Emergency Manager for the Period April 2013 - June 2013 (July 2013)	POA00111033	POA00111044
Emergency Manager's Report (September 2013)	POA00165156	POA00165283
Quarterly Report of the Emergency Manager for the Period July 2013 - September 2013 (October 2013)	POA00706415	POA00706427
Quarterly Report of the Emergency Manager for the Period September 2013 - November 2013 (December 2013)	POA00297491	POA00297543

Sources Considered By Gaurav Malhotra

Name	Bates Range	
Quarterly Report of the Emergency Manager for the Period October 2013 - December (January 2014)	POA00109594	POA00109608
Quarterly Report of the Emergency Manager for the Period December 2013 - February 2014 (March 2014)	POA00296194	POA00296251
Quarterly Report of the Emergency Manager for the Period January 2014 - March 2014 (April 2014)	POA00700417	POA00700433
Draft 2013 Comprehensive Annual Financial Report (June 2014)	POA00531266	POA00531512
10-Year Plan of Adjustment Restructuring and Reinvestment Initiatives Bridge (June 2014)	POA00706448	POA00706448
40-Year Plan of Adjustment Financial Projections Bridge (July 2014)	POA00706601	POA00706602